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NEWS SUMMARY

GENERAL

Tories secure double victory

Conservatives completed a double election victory today by winning 60 of the 75 European constituency seats, and becoming the largest single party in the House of Commons. The Tories won only 17 seats—a result which depressed the party's share of the vote to 31.1 per cent, but it was better than they had given the low poll. The winning seat went to the Tory Nationalist. The Tories failed to secure any seats in Scotland.

Thorp case 'a shock tragedy'

My Thorpe was slowly dented by his homosexual tendencies in a tragedy of Shakespearean proportions, Peter Taylor, prosecutor, told the Old Bailey in his opening speech yesterday. Thorpe and three others have been charged with conspiring to murder a male model, Norman, and Thorpe has denied the charge. Taylor said he was persuaded by his co-accused, David Holmes, to murder Scott. The former Tory leader has denied any sexual relationship with Scott.

Attacked

rel Aviation Administrator home Bond was heavily criticised by a U.S. Congressional committee for not ending all U.S. DC-10 air traffic indefinitely until 12 days after the Chicago air crash. He accused of putting airlines' interests before those of passengers. Page 4 and Partridge, Page 7.

Oil threat

Secretary David Howell today warned that the Iranian threat to the oil supply could be a further drop in world supplies, ruled out any early moves to allocate oil. Back Page, Editorial, Page 7; Editorial, Page 18.

Bomb warning

men were being questioned by police last night after a bomb was found near the Birmingham railway line. Nearby houses were evacuated and the railway halted all services. Page 6.

Modus foiled

U.S. Embassy attempt to oust 50 Americans from Panama was blocked yesterday by heavy fighting on the airport between Nicaraguan President Anastasio Somoza's troops and rebels seeking to overthrow the Government. Page 6.

Jeffy

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BUSINESS

Gold at new peak; Equities subdued

● **EQUITIES** were subdued ahead of today's Budget and after initial weakness closed a shade higher. The FT 30-share index ended 0.7 higher at 503.9.

● **GILTS** were encouraged by hopes that the Chancellor will cut public spending in the Budget. Gains extended from 1 in shorts to 1 in mediums and 2 in longs. The FT Government Securities Index gained 0.25 to 72.85.

● **GOLD** rose \$24 an ounce to a record \$282 in London. In New York, gold closed at \$280.50 (\$280.50).

● **STERLING** rose 58 points from Friday's level to \$2.0688 (\$2.0630) in thin trading and its trade-weighted index rose slightly to 67.3 (67.2).

● **DOLLAR** finished near its best against major currencies at DM 1.9135 (DM 1.9110) and SwFr 1.7325 (SwFr 1.7300). Its index rose to 86.9 (86.8).

● **WALL ST** was 1.35 lower at 833.77 shortly before the close.

● **TOKYO** share prices fell sharply. The Nikkei Dow index fell 54.97 to close at \$365.18.

● **IRAQ** has added a further surge on its contract crude oil sales. If applied, this would make Iraq's light crude the most expensive in OPEC.

● **INTERNATIONAL** financing package worth \$670m is being arranged to develop gas and aluminium industries in Dubai on the Gulf. Back Page.

● **TURKISH BANKS** have halted foreign currency dealings, evidently in anticipation of a devaluation of the currency. Page 2.

● **ROLLS-ROYCE** RB-211 engines will in future be available on European Airbus aircraft under an agreement signed in Paris by Sir Kenneth Keith, Rolls-Royce chairman. Page 6.

● **REMOVING OIL** spillage at Sullom Voe in Shetlands may have cost \$3.5m Esso estimates. Page 7.

● **ITALIAN INFLATION** is well above the Italian Government's target of 12 per cent at an annual rate of 14.5 per cent. Page 3.

● **EEC** is considering a long-term deal to allow access to the UK of New Zealand dairy products, mutton and lamb. Mr. Muldoon, New Zealand Prime Minister, said in London. Page 31.

● **MANUAL WORKERS** at BOC's gas division, who broke last year's pay guidelines, are being recommended to approve a 30 per cent claim. Back Page.

● **COMPANIES**

● **METAL BOX** profits for the year to March 31 rose £2.45m to £58.23m despite a fall of £3.87m in the second half. Page 20 and Lex.

● **ASSOCIATED BRITISH FOODS** reports pre-tax profits of £79.9m (£77.6m) in the year to March 31, after a slight fall in the second half. Page 20 and Lex.

New plants in Spain and Austria

General Motors \$2bn investment in Europe

BY STEWART FLEMING IN NEW YORK

GENERAL MOTORS, the leading U.S. car manufacturer, has announced its biggest overseas expansion project, a \$2bn investment programme aimed at increasing its European car capacity by about 300,000 vehicles a year.

The largest slice of the new investment will go into two new plants in Spain. One, at Zaragoza, will be an assembly plant; the other, at Cadiz, will make components.

In addition, a big engine manufacturing plant is to be built in Austria, and existing European facilities will have to be expanded to meet the increased demand for components.

The decision to locate the bulk of the new facilities in Spain is clearly a key one. GM said the company felt that Spain had made a smooth transition to democratic government from the Franco era and that the climate for foreign investment in the country was favourable.

The General Motors announcement comes only a few weeks after its chief U.S. rival, Ford, decided to drop plans for a new assembly plant in Europe which could have cost up to \$1bn and to concentrate on expanding existing facilities.

The GM decision seems certain to put competitive pressure on Europe's car makers and on Ford. It appears to be part of a broader strategy challenging Ford's leadership over GM in foreign markets.

Earlier this year GM announced plans to expand significantly its Latin American business, too. It is investing several hundred million dollars to double to 100,000 its Mexican vehicle output and to purchase assets of the financially pressed Chrysler Corporation in Colombia and Venezuela.

Although GM, with the purchase of Vauxhall in the UK in 1925 and Opel in Germany in 1929, was first off the mark in overseas expansion, its overseas sales of cars and trucks, at 1.75m last year, falls behind the 2.23m which Ford estimated it would have sold but for a nine-week strike in the UK, but whereas Ford gets about 48 per cent of its \$1.55bn of net income from overseas, GM's overseas operations account for only about 8 per cent of its earnings, which last year totalled \$3.5bn on sales revenues of \$65.2bn.

GM's decision to increase its European production capacity by about a quarter (it produces about 1.1m vehicles in Europe)

thus presents a challenge to Ford at a time when GM has been expanding its U.S. domestic market share.

General Motors expects that the new production facilities will be coming on stream in 1982, when they will employ about 12,000 people. In addition to the new facilities in Spain and Austria, GM has two component plants under construction in France; a new component plant will soon begin production in Northern Ireland, and other expansion programmes are under way.

Mr. E. M. Estes, the GM president, said yesterday: "These investments are evidence of General Motors' confidence in the continued strength of Europe's economy and its automobile market."

GM is engaged in a big U.S. investment programme, partly because of Federal Government pressure to improve the fuel economy of its fleet. It estimates

that worldwide over the next two to three years it will be spending about \$6.5bn a year, of which about a fifth will be overseas.

Paul Lendvai adds from Vienna: GM will build its engine plant in the Vienna suburb of Aspern. The \$150m project has gone to Austria partly because of a large investment grant, accounting for a third of the total cost.

However, Mr. Alexander A. Cunningham, a GM vice-president, added that other reasons were "the excellent labour relations climate and the high degree of social, economic and political stability."

Robert Graham writes from Madrid: The GM move is the biggest car investment in Spain. Sr. Carlos Bustelo, Industry Minister, yesterday estimated that by 1984 Spain would be producing between 1.2 and 1.5m cars a year.

FIAT INCREASES SEAT HOLDING

FIAT is to increase its 34 per cent holding in SEAT, the main Spanish car manufacturer, in a \$277m restructuring plan linked with guaran-

tees of full employment for the 32,000 strong workforce. Fiat has reserved the right to withdraw from the agreement in 1981.

Government may axe 150,000 jobs in Civil Service review

BY PHILIP BASSETT, LABOUR STAFF

THE GOVERNMENT yesterday announced a review of Civil Service staff levels which could lead to a loss of 150,000 jobs over the next three years.

The review will examine cuts in staff costs of 10, 15 and 20 per cent. It is in addition to the freeze on recruitment and promotion already being implemented, which is designed to give savings of 3 per cent with a loss of about 22,000 jobs.

No official target figure for the job cuts has been fixed, but union officials estimate that the three options would mean cuts of 75,000, 112,500 and 150,000 jobs respectively.

Natural wastage will be used wherever possible to achieve the cuts, although Civil Service Department officials said redundancies could not be ruled out. Overtime and the use of casual staff will also be reviewed.

The impact of the cuts will be selective and will vary between departments. Individual Ministers will be asked to report by July on possible savings from improved efficiency, reduction in waste and the curtailing or dropping of certain work. The Government will announce its decision in the autumn.

Union officials see the review's exclusion of an expected option of 5 per cent cuts as an indication of the Prime Minister's determination to reduce public service staffing levels.

Mr. Paul Channon, Civil Service Minister, announcing the cuts in the House of Commons, said it would be a "radical review" with the intention of making "major savings."

Civil Service unions would be consulted "as appropriate."

Mr. Peter Jones, secretary of the staff side of the Civil Service National Whitley Council, said the question was whether the "surgeon's scalpel or the butcher's knife" was to be used in the cuts.

"If it is the latter, we are in for a rough time. We are not in the business of seeing the Civil Service dismembered."

The Government also announced yesterday as part of its cost-cutting programme a wide-ranging review of the Civil Service's dispersal programme, which was designed to move about 30,000 jobs away from London.

Current dispersal plans have been frozen until the review is completed. The Government hopes to announce its intentions before the summer recess.

The review will balance the Government's intention to cut Civil Service costs with its concern about regional policy and unemployment, though officials are not ruling out the programme being abandoned completely. Most unions in the service have argued the scheme

would lead to a loss of morale and reduced efficiency.

Offices under construction to receive dispersed staff, including premises at Sheffield, Southport, Newcastle, Cardiff, Salisbury and East Kilbride, will be completed. But the movement of staff there is not assured and disposal of the buildings may be left to the Property Services Agency.

£ in New York

Spot 0.24-0.25 0.26-0.27 0.28-0.29 0.30-0.31 0.32-0.33 0.34-0.35 0.36-0.37 0.38-0.39 0.40-0.41 0.42-0.43 0.44-0.45 0.46-0.47 0.48-0.49 0.50-0.51 0.52-0.53 0.54-0.55 0.56-0.57 0.58-0.59 0.60-0.61 0.62-0.63 0.64-0.65 0.66-0.67 0.68-0.69 0.70-0.71 0.72-0.73 0.74-0.75 0.76-0.77 0.78-0.79 0.80-0.81 0.82-0.83 0.84-0.85 0.86-0.87 0.88-0.89 0.90-0.91 0.92-0.93 0.94-0.95 0.96-0.97 0.98-0.99 1.00-1.01 1.02-1.03 1.04-1.05 1.06-1.07 1.08-1.09 1.10-1.11 1.12-1.13 1.14-1.15 1.16-1.17 1.18-1.19 1.20-1.21 1.22-1.23 1.24-1.25 1.26-1.27 1.28-1.29 1.30-1.31 1.32-1.33 1.34-1.35 1.36-1.37 1.38-1.39 1.40-1.41 1.42-1.43 1.44-1.45 1.46-1.47 1.48-1.49 1.50-1.51 1.52-1.53 1.54-1.55 1.56-1.57 1.58-1.59 1.60-1.61 1.62-1.63 1.64-1.65 1.66-1.67 1.68-1.69 1.70-1.71 1.72-1.73 1.74-1.75 1.76-1.77 1.78-1.79 1.80-1.81 1.82-1.83 1.84-1.85 1.86-1.87 1.88-1.89 1.90-1.91 1.92-1.93 1.94-1.95 1.96-1.97 1.98-1.99 2.00-2.01 2.02-2.03 2.04-2.05 2.06-2.07 2.08-2.09 2.10-2.11 2.12-2.13 2.14-2.15 2.16-2.17 2.18-2.19 2.20-2.21 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EUROPE'S FIRST DIRECTLY ELECTED PARLIAMENT

Giscard emerges victor despite Chirac challenge

BY ROBERT MAUTHNER IN PARIS

PRESIDENT Giscard d'Estaing has emerged as the victor of the European elections in France, as he did from the general election in March last year.

The list of his supporters, headed by Mme. Simone Veil, the popular Health Minister, led the field by a wide margin, obtaining 27.5 per cent of the votes, followed by the Socialists with 23.6 per cent, the Communists with 20.6 per cent and the Gaullists with only 16.2 per cent.

In the new European Parliament, the pro-Giscard UDF group will have 25 seats, the Socialists 22, the Communists 19 and the Gaullists 15, making a total for France of 81 members.

Immediately after hearing the final results, Mme. Veil who has regularly topped opinion polls as the most popular French politician, submitted her resignation from the Government to M. Raymond Barre, the Prime Minister, and announced that she would be running for the presidency (Speaker) of the European Parliament.

Two other members of the Government on the successful UDF list M. Jean-François Deniau, Trade Minister, and M. Pierre Maitre, Minister of Agriculture, are also expected to resign, necessitating a minor reshuffle soon.

Undoubtedly the most important development from a domestic political point of view was the very poor showing of the Gaullists, whose leader M. Jacques Chirac, had conducted a typically aggressive campaign. Though the Gaullists are the strongest group in the French National Assembly, they trailed their pro-Giscard coalition



President Giscard d'Estaing

partners by more than 10 percentage points and the balance of power within the Government majority has thus shifted in favour of the UDF.

M. Chirac and his main associate on the Gaullist list M. Michel Debré, a former Prime Minister, appear to have completely misjudged the mood of the French electorate on European issues. They campaigned on what can only be described as a nationalistic ticket opposing the very principle of direct elections to the European Parliament and constantly underlining the need to defend French independence within Europe.

Their frequent attacks on the President and M. Barre's economic policies, as well as suggestions that Mme. Veil was being dishonest in denying that

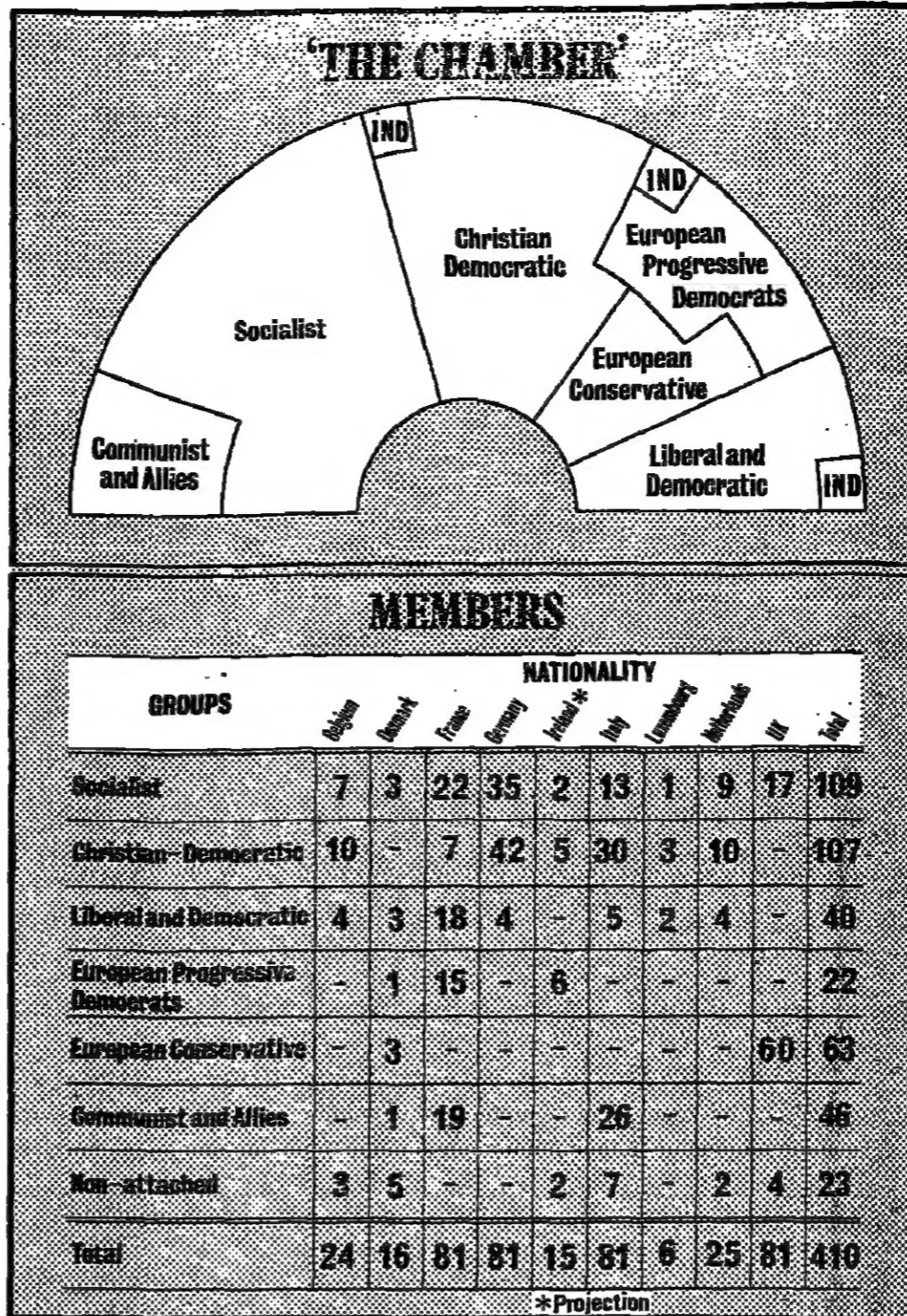
she was in favour of a supra-national Europe, did not prevent a substantial number of Gaullist voters from switching their allegiance to the UDF. Many, of course, may have abstained altogether since the rate of abstentions of more than 39 per cent was a near record for France, equalled only in President Pompidou's 1972 referendum on enlargement of the European Community.

While, in the general election of March 1978, the Gaullist RPR party was ahead of the UDF in 56 French departments, in the European elections the Gaullists outdistanced the Giscardians in only seven.

The opposition to M. Chirac from an influential minority of his own party, which disapproves of his over-aggressive style and persistent sniping at the Government, is now likely to become more vociferous. An indication was given yesterday by the resignation of M. Pierre Juillet, the Gaullist leader's principal political adviser, whom he inherited from M. Pompidou.

On the other side of the political spectrum the relationship between the Socialists and the Communists has also been modified. Though the Socialists did reasonably well in the European elections, their impressive progress over the past year has been halted and their lead over the Communists has been narrowed.

As a result, M. François Mitterrand's position as party leader, which was threatened at the recent party congress, has been weakened further. Even more important, his chance of being chosen as candidate of the combined Left or even the Socialists in the 1981 French presidential election has been diminished substantially.



Gains for Centre in Italy's high turn-out

BY RUPERT CORNWELL IN ROME

THE MESSAGE of direct elections in Italy lies at least as much in the surprisingly high turn-out of almost 86 per cent as in the further proof it offers of a shift in the electorate's mood towards the small centre parties away from the Christian Democrats and Communists.

The final results show that both the largest parties lost support; the Christian Democrats fell from 38.3 per cent at the general election of the previous week to 36.5 per cent, and the Communists to 29.6 per cent from 30.4 per cent.

The most significant gain was made by Italy's two Socialist Parties, which emphasised their links with other European Socialists to promote their cause.

The Socialists ended up with 11 per cent of the votes cast, compared with only 9.3 per cent a week ago, while the Social Democrats lifted their total to 4.3 per cent. Perhaps the most remarkable advance, however, came from the Liberals, who almost doubled their general election share of the poll to 3.4 per cent.

Both major parties will be disappointed, particularly the Communists, whose support has again fallen below the psychologically important 30 per cent mark.

In domestic political terms, though, perhaps the most important change was the gain by the Socialist Party. A deal with the Socialists is a prerequisite of any return to a centre-left Government dominated by the Christian Democrats and Sig. Bettino Craxi, the

Socialist leader, may be encouraged to be both bolder and more positive when negotiations start.

The parties are united in their relief that fears of a sharp drop in turn-out from the general election proved unfounded. Although the Euro-

pean campaign was effectively reduced to three days after the attention concentrated on the general election, 85.9 per cent of the electorate voted compared with 89.9 per cent in the domestic poll.

In part, the high figure reflects the mandatory vote. But politicians and commentators are claiming that the vote amounts to a strong affirmation of Italy's place in Europe and the natural "Europe-ism" of its inhabitants.

The final distribution of the 81 seats gives Christian Democrats 30, Communists 24, Socialists 9, Social Democrats and Neo-Fascist MSI 4 each, Liberals and Radicals 3 each, with the remaining 4 going to other parties.

The candidates lists were mainly headed by the party leaders, including Sig. Enrico Berlinguer for the Communists, Sig. Benigno Zaccagnini for the Christian Democrats, and Sig. Craxi, but it is not clear how long some of them will hold their seats at Strasbourg before stepping down for less illustrious colleagues.

Danish anti-EEC parties jubilant

BY HILARY BARNES IN COPENHAGEN

MR. ANKER JOERGENSEN, the Social Democrat Prime Minister, and Mr. Henning Christophersen, the Liberal Foreign Minister, both declared that the results of Denmark's elections for the European Parliament would have no effect on Danish European policy, but jubilation in members of parties which oppose Denmark's membership claimed the election gave them a solid background on which to work for Denmark's withdrawal from the EEC.

"I think we could have Denmark out of the EEC in five years' time," said Diocesan Dean Joergen Boegh, an anti-marketeer expected to win a seat in Strasbourg.

On paper, however, the election was a victory for Denmark's pro-European parties, which won two-thirds of the vote in a 47 per cent turnout. The right-centre electoral alliance of pro-market parties obtained six of

mainland Denmark's 15 seats, the Social Democrats three seats, and the tax-protest Progress Party one seat.

The anti-EEC parties won 32.8 per cent of the vote and five seats. The Peoples' Movement against the Common Market, which is a cross-party movement, won 21 per cent of the votes and four seats.

The movement was in alliance with the Socialist Peoples' Party, which obtained one seat, and the Left Socialists and the Single-Tax party, neither of which won a seat.

The Communists did not stand separately, but put up candidates on the movement's list. One of them is expected to win a seat.

The Liberals, with three seats, Conservatives, with two seats, and the Centre Democrats, with one seat, represent the pro-EEC electoral alliance, which was

also supported by the Christian Peoples' Party.

Denmark's 16th seat went to Greenland, where the election was won by Mr. Finn Lynge, of the Siumut Party, which has pledged to take Greenland out of the EEC after a referendum in 1981 or 1982.

The election was a serious setback for the Social Democrats. Although officially pro-market, the party's candidate list included some "EEC critics" and, in the public view, the party appeared divided.

The Progress Party is also divided over the EEC, and it was the other big loser, taking only 5.8 per cent, compared with 14.6 per cent in the last parliamentary election.

The Peoples' Movement has pledged not to join a party group in the European Parliament.

Victory for Dutch centre

By Charles Batchelor in Amsterdam

IN THE Netherlands, the middle-of-the-road Christian Democrats and the Left-wing Democrats 66 party did even better than suggested by initial forecasts.

The Christian Democrats gained 37 per cent of the vote, compared with the 35 per cent indicated by a poll held immediately after Thursday's elections. The Democrats 66 party had 9 per cent of the votes cast, against the forecast of 8 per cent.

Because of the relatively low 58 per cent turnout, politicians were reluctant to draw conclusions for the domestic political scene. It is clear though that the Democrats 66 party has nearly doubled its share of the vote compared with the 1977 general election. Labour, the main opposition party, gained 29 per cent of the vote, while the Liberals, who share power with the Christian Democrats in the present Government, took 16 per cent.

The Netherlands was the last country to begin its count, starting at 10 am yesterday, because of religious objections to holding the count on Sunday.

The poor performance of the Labour Party has been put down to the low turnout of younger voters, and of voters in the large towns.

The Christian Democrats will take 10 of the 25 seats. Labour nine, the Liberals four, and Democrats 66 two.

Conservative surprise in Germany

BY JONATHAN CARR IN BONN

THE WEST GERMAN Conservative opposition parties have pleasantly surprised themselves and astonished others by their success in Sunday's direct elections.

Public squabbling over leadership and strategy between the Christian Democratic Union (CDU) and its Bavarian ally, the Christian Social Union (CSU), intensified, recently and seemed bound to alienate some supporters at the weekend.

But the CDU-CSU have in fact emerged on top, gaining 49.2 per cent of the vote and 42 of the 81 seats allotted to the Federal Republic in the Strasbourg Parliament.

Thus the Union parties achieved what they failed to do in the General Election of 1978—that is to gain a majority against the Government coalition of Social Democrats (SPD) and Liberal Free Democrats (FDP).

In the direct election, polling, the SPD gained 40.8 per cent for 35 seats, and the FDP a disappointing 6 per cent for four seats.

Spokesmen for the Government parties were quick to observe that the direct elections and a national general election were not strictly comparable.

THE INTERPLAY between Belgian and Luxembourg politics, and the more general forum of European politics, was the major preoccupation of analysts yesterday, as the results of direct elections to the European Parliament were finalised.

In Belgium, the emphasis has been on examining the shifts in political sympathies since the country last went to the polls, in the general election of December 1978. In Luxembourg, attention is focused on the make-up of a new coalition in which the dominant Social Christian Party will seek to resume office after a five-year absence, as well as on the future of M. Gaston Thorn, the outgoing Premier.

The results in the 24 seats of the European Parliament allocated to Belgium have

underlined a strong move in Francophone Wallonia towards the moderately nationalist parties, while in the Dutch-speaking Flanders the message has been one of growing support for the unitarist wing of the country's Social Christians.

The CVP has taken seven of the 13 Flanders seats, which is seen as a personal victory for M. Leo Tindemans, the former Premier, who is the party's leader in the European campaign.

The Francophone wing of the Social Christians, the PSC, lost ground slightly, and has won only three seats, which if translated into domestic terms would be an electoral setback. The Walloon Parti Socialiste also lost support to some extent, although it will have four seats in the Parliament.

Only 65.9 per cent of West German's 42.7m eligible voters turned out to vote on Sunday—a figure bound to have been surpassed had the future of the Bonn Government been at stake. Further, the CDU had a partial setback in some local elections also held on Sunday.

None the less, the Union parties in general showed striking success in mobilising their voter potential at a particularly difficult time. The lesson will not be lost on the SPD-FDP, with little more than a year to go to another general election.

No other West German party

beyond these four gained a seat in Strasbourg—though environmentalist groups scored moderate success in some areas and are felt to have stolen support from the SPD in particular.

Among the notables to have won seats in Strasbourg include, for the SPD: Herr Willy Brandt, the former Chancellor and present SPD chairman; Herr Heinz Oskar Vetter, head of the DGB (the West German equivalent of Britain's TUC); for the CDU: Herr Hans Katzer, former federal Labour Minister; and for the CSU: Dr. Otto von Habsburg, son of the last Austro-Hungarian emperor.

he may wish to delay pushing his candidacy for the presidency of the European Parliament until domestic political affairs become clearer.

Although M. Thorn's Liberal-Socialist coalition lost the election, with the Liberals maintaining their 14 seats in the 58-seat Luxembourg Assembly and the Socialists holding only 14, a loss of three, it is not certain that M. Pierre Werner, the Socialist Christian leader, is guaranteed a return to power.

The Social Christians gained six seats, bringing their total to 24, but they must find additional support to resume the 50-year rule which M. Thorn's coalition interrupted in 1974.

By the same token, the Liberals and the Socialists may also find a third partner for fresh coalition.

Humiliation for Irish ruling party

BY OUR DUBLIN CORRESPONDENT

IN THE Irish elections for the European Parliament, the ruling Fianna Fail party faced the humiliating prospect of taking only five of the 15 seats allotted to the Republic.

The surprise was the showing of two independent candidates, who topped the polls in their respective constituencies and were elected early in the count.

Mr. Neil Blaney, who was sacked as a cabinet minister by Mr. Lynch and left the Fianna Fail party, received a massive vote in the north-west constitu-

ency of Connaught-Ulster, where he has his power base. Mr. T. J. Maher, a farming leader and former president of the Irish Farmers' Association, topped the poll in the southern constituency of Munster.

The Labour Party also scored a remarkable success, pushing Fianna Fail into third place in the percentage of votes in the Dublin constituency. Labour has always been certain of one seat, but could take as many as four.

The successes of Labour and the independents have meant that the major opposition party,

Dr. Garret FitzGerald's Fine Gael party, will not take as many seats as the Government's poor showing might have given it.

Government spokesmen were endeavouring to explain the bad results as a mid-term jolt which electorates often give to Governments. But there is no doubt that the present industrial unrest—in particular the four-month-old port strike—contributed heavily to the government party's poor showing. This is likely to have repercussions on domestic policy.

OTHER EUROPEAN NEWS

Turkey halts foreign currency dealings on eve of devaluation

BY METIN MUNIR IN ANKARA

DEALINGS in foreign currency were suspended here yesterday as the Cabinet met throughout the day under Prime Minister Bulent Ecevit to put the finishing touches to devaluation plans. The Turkish lira is expected to fall by as much as 80 per cent in value.

Mr. Ziya Muezzinoglu, the Finance Minister, is to leave today for Paris, where talks are in progress on a new standby agreement between his country and the International Monetary Fund.

He is to meet Mr. Jacques Delors, managing director of the Fund, and hand him Turkey's letter of intent, officials said here.

Ankara's new stand-by agreement with the IMF is understood to be close to completion. However, the fate of both the letter of intent and stand-by agreement will depend on whether a Cabinet decision can be reached on the devaluation and other measures to bring the economy onto an even keel.

devaluation. Mr. Ecevit is expected to announce a complex multiple exchange rate system. This will be an expanded version of the one put into effect in April, according to Turkish officials. Under this, the base rate for the U.S. dollar was set at TL 25 to TL 26.50.

In the month following April 10, currencies remitted by expatriate workers and exchanged by tourists were awarded 40 per cent "premium" plus TL 10 for every unit of foreign currency.

Thus, in effect, a U.S. dollar coming into Turkey in these two categories was worth TL 47.10. In the month following May 10 the TL 10 premium was reduced to TL 5 and the dollar base rate was reduced to TL 42.10.

This system is now expected to be expanded. In other words, the U.S. dollar and 20 other major currencies including sterling will gain value against the lira, possibly by up to 80 per cent for workers and tourists, as well as many import and export sectors.

Ekofisk oil estimates lowered

By Kevin Done, Energy Correspondent

THE PHILLIPS Petroleum group has significantly reduced its estimates of the recoverable reserves of oil and gas in the seven-field Greater Ekofisk development in the Norwegian sector of the North Sea.

The first oil was produced from Ekofisk in 1971, and the last field in the development to come on stream, Edda, should start production by the end of the year.

Phillips said yesterday that estimated reserves had been reduced by about 16 per cent as a result of recent development drilling work.

Recoverable reserves of oil and gas had been downgraded from 4.4bn barrels of oil and oil equivalent to 3.7bn barrels.

The reduction in reserves estimates is expected not to affect the fields' peak production rates, which are still likely to reach 375,000-625,000 barrels a day (b/d) in the early 1980s, with 1,600 cubic feet a day of natural gas and 40,000 b/d of natural gas liquids.

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China opens way for Western joint ventures

BY ROGER BOYES IN BONN

CHINA is preparing a series of decrees which will open the way for Western companies to take part in major joint ventures with Peking. According to West German officials who returned from China yesterday, the move appears to have been approved in principle by the Chinese leadership.

The decision to allow direct foreign investment in China—an apparent shift in policy—was broached during talks between Herr Anton Jaumann, the Bavarian State Economics Minister, and Chinese Ministers

including Vice-Premier Fang Yi. The Chinese said they would welcome German participation in joint ventures as soon as it was legally feasible.

There have been hints over the past six months that China was about to change its line on foreign investment, but the German reports seem to suggest that the reform is imminent. It is understood that the Chinese would insist on owning at least 51 per cent of any joint venture with the West—but even this high participation would allow Peking to lighten some of its

heavy investment burden and allow it to make better use of available credits.

The move appears mainly aimed at large West European and U.S. concerns. Some Hong Kong companies have reportedly established small joint ventures in South-East China but these seem to have been kept deliberately low-key.

The Bavarian delegation and the Chinese discussed the possibility of cooperation and joint ventures in four main areas: agricultural machinery, energy, the extraction of raw materials

and transport (especially railway engineering). Other forms of financing, including fresh credit lines, were discussed but the Chinese clearly preferred the prospect of joint ventures, officials said.

The Bayerische Vereinsbank, which was represented on the German delegation, nonetheless signed a \$100m credit agreement with the Bank of China during the visit. Details of the terms have not yet been made available, but the line is expected to include energy projects.

Herr Jaumann said yesterday that those companies who could assist China in its energy plan whether it be the supply of pit lines or the oil and gas extraction, were particularly welcomed by Chinese trade officials. The Chinese also underlined their preference for deals to be financed half in dollars and half in the national currency.

It is believed that there could be an upsurge in German-Chinese trade before the visit to Bonn in October of Chairman Hua Guofeng, the Chinese leader.

BIS calls for greater Western economic co-operation

BY DAVID MARSH IN BASLE

WESTERN GOVERNMENTS must intensify efforts to co-ordinate their economic growth and balance of payments policies to tackle the challenge to the world economy presented by the upsurge in international inflation and shortage of oil. This was the principle recommendation in the annual report of the Bank for International Settlements, released in Basle yesterday.

The report particularly outlined the danger of renewed currency unrest and world recession unless the U.S. ensured

a cooling-off in its economy and a reduction of its current account payments deficit.

In a clear call for western leaders to decide better policy co-ordination at their summit meeting in Tokyo, later this month, Dr. Jelle Zijlstra, the President of the BIS, told the Bank's annual meeting yesterday that imbalances between leading countries must be corrected if exchange rate stability was to be firmly established.

"We need a balance of payments situation in the U.S. that maintains confidence in the

dollar, coupled with a better equilibrium in the external accounts of those countries which have been running large and persistent payments surpluses," he said.

The Bank's report warned that because of both domestic and international restraints—in the form of wage cost pressures and inelasticity of supply of world commodities—the industrialised world may have to be content with lower growth rates than in the past.

The BIS said that western

governments should apply a radical policy of reducing oil imports through general energy saving measures, development of domestic oil production and substitution of other forms of energy for oil.

Additionally, unless the cyclical upswing in the U.S. in evidence in the early part of the year, "dies a natural death" it has recommended the American authorities to consider tighter monetary and fiscal measures to dampen the inflation rate and restore full confidence in the dollar.

The BIS said the decline in the dollar last year showed it was not possible for a reserve currency country like the U.S. to sustain a level of domestic demand significantly higher than that existing elsewhere. BIS officials commented yesterday that since the war was completed, there have been further signs that the U.S. economy is cooling, "although they are not yet ambiguous," it said.

BIS annual meeting: Full report Page 28

Italian inflation running well above target

BY PAUL BETTS IN ROME

TAIL PRICE inflation is continuing to accelerate in Italy above the Government's per cent target for this year. Official figures released yesterday show a 1.3 per cent rise in retail prices in May, which would represent 4.5 per cent inflation rate on an annual basis.

Retail prices increased by 1.9 per cent in January, 1.5 per cent in February, 1.2 per cent in March, and 1.6 per cent in April.

These increases are in large measure due to the rise in raw material costs, which has had a marked impact on Italy as materials account for about 30 per cent of the annual cost bill.

Moreover, there is increasing concern over the effect of the rise in oil prices, since Italy is on oil for about 75 per cent of its energy.

The authorities are expected to introduce long-term measures to attempt to reduce oil consumption. A meeting is scheduled to discuss new energy supplies at the end of this week.

Latest figures show overall energy consumption rising by 1.5 per cent during the first four months of the year, while the total of some 5m tonnes of oil is expected in the first half of the year. This is about 20 per cent of the 25m tonnes for the first half of the year.

Although the introduction of energy measures has been held by the recent general election, the authorities have nevertheless attempted to retain

up to 35 per cent of some products—like fuel oil and petrol—refined by private operators in Italy for third parties for export.

This move, designed to keep these products for the domestic market, has exacerbated the already fraught relations between the Government and private oil operators.

But the Government's move appears to have had little effect, since oil operators seem to have re-routed shipments of oil, originally to be refined in Italy, elsewhere.

While petrol supplies are running low, the authorities are understood to be particularly alarmed over shortages of fuel and heating oil.

The continuing increase in Italian energy consumption also reflects the recovery of industrial output, which in April rose by 5.3 per cent from the same month in the previous year. According to official figures released at the weekend, industrial production rose by 7 per cent during the first four months of this year, compared with the same period last year.

Meanwhile, Fiat, the Turin-based conglomerate, yesterday announced a 5 per cent immediate increase in the price of all its cars.

This is the third time this year Fiat has increased its car prices. In February, they rose by 4 to 5 per cent, and in April by 5.5 per cent.

The latest increases, the company said yesterday, were largely due to the substantial rise in the cost of raw materials since the beginning of the year.

Satellite warfare may cast a shadow over the Carter-Brezhnev summit. David Tonge reports.

Shaping up for the battle of tomorrow

IN ONE of the James Bond films the belief that the Russians were kidnapping U.S. spacecraft led the Americans to prepare to launch a nuclear attack. Now, in real life, the fear of such kidnaps has become an issue between Moscow and Washington which threatens to cast a shadow over this weekend's Carter-Brezhnev summit in Vienna.

At present, in this bizarre battle of tomorrow it is the Russians who are on the defensive. They fear that their satellites may be plucked out of orbit by the U.S. even though the former have the more apparently dangerous satellites and have successfully tested different types of "hunter-killers."

The U.S. and USSR have been formally negotiating on satellite warfare since last June. Little publicity was given to the four formal rounds of talks, since neither side was keen to disclose the vulnerability of its satellites.

But the eerie cast of futuristic actors involved—ranging from silent sentinel satellites lurking deep in space to charged particle beams fired from earth or even space—does not diminish the immediate relevance of the talks.

Such a treaty is important, since no strategic arms limitation treaty (SALT) stands a good chance of ratification unless the sceptics of the U.S. Congress are assured that its observance can be verified.

This verification depends increasingly on satellites. Just as SALT 1 was accompanied by, and partially dependent on, the agreement on anti-ballistic missiles, so SALT 2 may be closely accompanied by an agreement limiting anti-satellite activity.

At one point, it was hoped that such an agreement would also be signed at the Vienna

summit, but U.S. officials now fear that this "is very much a long shot." After months of apparent progress in the talks, these ran into difficulty recently when the USSR asked the Americans to halt development of the U.S. space shuttle.

The shuttle, which is due to have its first test flight in November, is central to the U.S. space programme. But the USSR reportedly considers it a threat to its own space activities and has demanded a halt to its development. Washington has rejected this demand.

Before this problem, the two sides had made progress not only on agreeing a ban on the destruction of opposing satellites but also on the more intricate question of the extent to which either side may act on the other's satellites in what is known as non-destructive interference. Here, the complexities are enormous.

Some degree of espionage on satellites is permissible. Both sides already "interrogate" each other's satellites. The U.S. for instance, has developed laser techniques which allow it to determine not merely the path and speed of a satellite but also its function.

In the case of reconnaissance satellites, this technique has been advanced to the point of allowing one to infer the type of lens carried and thus, even, the film it is using, according to Mr. Farooq Hussain of the International Institute for Strategic Studies. The difficulty is in defining—and in water-tight phrases—what degree of jamming, declining and blinding is permissible.

By the end of 1977, the U.S. and the USSR had made 2,140 successful announced satellite launches, according to the space log of the U.S. space company ITAW. The Soviet Union accounted for 1,218 of these, and the U.S. for 922, of which 598 were for the U.S. Defence Department. Last year, the USSR

launched about 100 more. The U.S. announced figures for less than half that.

Today, about 100 Soviet military satellites and about half this number of U.S. military satellites are operational, according to experts. However, a single U.S. satellite may perform the functions of several Soviet ones. Though ahead in quantity, the USSR lags in quality.

Military satellites are used for "C 3" (command, control and

on a wave of these tests. In all, it has launched over 30 satellites whose purpose is generally seen as being to intercept and destroy another. The last reported test was in May last year.

Between 1966 and 1971 it also seems to have investigated launching a weapon which would partially orbit the earth and then drop on its target. This so-called fractional orbital bombardment system is now

thus take about two weeks to execute.

For its part, the U.S. has worked on both offence and defence. Its original efforts relied on firing anti-satellite missiles from rockets such as the Thor booster, Zeus and Nike. Later, Skipper, a project involving vertically-launched space mines, was developed. Today, old Minuteman rockets are held for this purpose, while air-launched missiles are being tested in ground simulation exercises.

Some of the present systems involve homing missiles, others would drop unguided fragments or projectiles in the orbit of the target. But most emphasis appears to have been placed on developing a ground-based system involving researching lasers or, in the future, beams of charged sub-atomic particles. Funds for the latter were first appropriated for such research in 1975. The laser possibilities are enormous.

The system being built for the U.S. air force is designed to be flexible, allowing interrogation, interference with or destruction of part or all of a target. The USSR may have a slight lead in particle beam research—though not nearly as great as that suggested by some U.S. security chiefs, according to Mr. Hussain. But in lasers the U.S. appears to have a significant edge.

On the defensive side, the U.S. is working on "hardening" satellites through developing protective shielding, on reducing their radar profile and on giving them "self-healing" capabilities.

A development in the past few years is of "dark satellites"—ones with a minimal radar profile which are sent off into distant orbit to stand on silent relief guard duty. They are virtually untrackable by an enemy but can be brought down to lower orbits when required, according to U.S. officials.

The U.S. Space and Missile Systems Organisation, SAMSO,

has had its earlier worries about U.S. satellite vulnerability eased by the development and funding of this programme. It is confident that its general technological lead over the USSR can be maintained.

However, the U.S. Arms Control and Disarmament Agency, ACDA, sees two reasons for pressing for an agreement with the USSR. The first is that satellite warfare development is still at a relatively early stage. Stopping expenditure before it has accelerated makes more sense and may be easier than attempts to cut back existing weapon systems. The second reason is that Congress has ordered ACDA to assume in strategic arms limitation talks that "standard practices could be altered so as to impede verification."

ACDA thus has to prevent verification being affected. In the satellite protection talks its priorities are to limit anti-satellite systems to their present capabilities and to reach an agreement not to interfere with the satellites of the other party.

Just as a satellite protection treaty is important to the U.S. as part of any SALT package, so it is crucial for the USSR. The Soviet position has long been complicated by fear of what China is up to.

Dr. Lawrence Freedman, head of the Policy Studies Unit of the Royal Institute of International Affairs, suspects that Soviet killer satellites may be intended to act against low-flying Chinese satellites rather than the higher U.S. ones.

But the more immediate Soviet concern is with the U.S. space shuttle. U.S. officials have long boasted of its ability to retrieve satellites. However, the vigour with which Soviet fears in this direction were initially expressed last year and have since been repeated, has surprised Washington.

Swedish concern in joint bid for Norway oil share

BY WILLIAM DUFFLOR IN STOCKHOLM

ISK HYDRO, the Norwegian oil and gas company, and KemaNobel, Swedish chemicals group, making a joint bid for a 10 per cent stake in the so-called "silver block" on the Norwegian continental shelf.

The bid concerns oil block 30/6, termed the "silver block" because it is believed to be the second most promising of those awarded in Norway's fourth concession round.

When licences were announced on April 6, the Norwegian Oil Ministry withheld 10 per cent of the block for later allocation. It is thought to contain substantial reserves of both oil and gas.

which Norway was to buy a 40 per cent share in Volvo, the Swedish vehicle company. That deal would have given Volvo shares in three Norwegian blocks.

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Dassault seeks Arab aid for Mirage

PARIS—The Marcel Dassault aviation group is seeking Arab help in financing its highly sophisticated Mirage 4000 fighter, according to M. Claude Vallieres, the company president.

Speaking at the Paris Air Show, M. Vallieres gave no details but recalled that the French Government has refused to buy the Mirage 4000 for its air force.

The prototype of the Mirage 4000 made its maiden flight last March.

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Basque kidnap victim released

BY DAVID GARDNER IN MADRID

r. Ignacio Astiz Larrays, the Basque Ministry's representative in the Basque province of Girona, was released unharmed yesterday morning after being held for five days by ETA (Euzko Askatze Erakundea), the more moderate of the two wings of radical nationalism, guerrilla organisation.

r. Astiz was kidnapped last

Wednesday, in the aftermath of a two-day general strike in the Basque country. The strike was in reaction to a police killing of a young anti-nuclear demonstrator in Tudela, Navarre, the previous Sunday. ETA (P-M) described its action in a communiqué issued last week as a "temporary arrest," planned in response to the Tudela killing.

The politico-military wing of ETA, unlike the mainstream Basque parties as the last chance for a peaceful solution to the Basque problem. Radical nationalists, however, mainly grouped around the electoral coalition, Herri Batasuna, are planning a mass rally this week in Pamplona, to present a counter-statute which incorporates the principle of Basque sovereignty.

Mainstream nationalists, as well as Socialists and the Basque section of the governing UCD, believe that the Government's handling of the situation is playing into the hands of the radicals, who are supported by ETA.

the draft statute of autonomy presented by Basque MPs last year.

The Government has opted for a hard line on the Basque statute, objecting principally to its proposals for more devolution of powers over tax-collecting, justice and control over police, and international relations.

The draft statute is regarded among the mainstream Basque parties as the last chance for a peaceful solution to the Basque problem. Radical nationalists, however, mainly grouped around the electoral coalition, Herri Batasuna, are planning a mass rally this week in Pamplona, to present a counter-statute which incorporates the principle of Basque sovereignty.

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OVERSEAS NEWS

Acrimonious beginning to Palestine autonomy talks

BY ROGER MATTHEWS IN CAIRO

THE UNITED STATES will not intervene directly in negotiations between Egypt and Israel over the future of the Palestinians living on the occupied West Bank and Gaza Strip unless a deadline is reached. This was stated yesterday by Mr. James Leonard, leader of the U.S. delegation, as the second round of talks began in Alexandria amid the now almost habitual exchange of recriminations.

Egypt has complained that Israel has made the negotiations more difficult by giving approval for a new Jewish settlement to be built near the main West Bank town of Nablus, while Dr. Yosef Burg, Israel's Interior Minister, yesterday accused the Egyptian press of launching personal

attacks against Mr. Menahem Begin, the Israeli Prime Minister. Egypt's Prime Minister Mustafa Khalil said in his opening statement that he thought it would be better if both sides refrained from making any comments that would be detrimental to the cause of peace.

Both sides agree that the main purpose of the current talks is to sort out matters of procedure. Egypt, for example, is pressing for at least four committees to be established in order to discuss separately the different aspects of Palestinian autonomy while the Israelis would prefer all issues to be discussed within a single negotiating framework.

Mr. Leonard urged the Egyptians and Israelis to get down

to serious negotiations as soon as possible. He will continue to head the U.S. team until the arrival of Mr. Robert Strauss, President Carter's special representative. It will be up to Mr. Strauss to try and find common ground between Egypt and Israel's widely divergent positions on Palestinian autonomy and few officials expect any significant progress to be made for the next two or three months.

Egypt has drawn up its own proposals for the implementation of Palestinian autonomy and the powers to be given to the local administrative council, but President Sadat has said that he only intends to put the Palestinians on the road towards self-rule and deciding their own future.

Opposition bitter after Egypt poll

BY OUR CAIRO CORRESPONDENT

THE LEADER of one of Egypt's opposition parties said yesterday that last week's general election had shown that the future was bleak for democracy in his country. Mr. Khalil Mohieddin, who heads the Left-wing United Progressive Party, claimed that the Government was trying to drive his party underground and forecast that internal security would be tightened.

Mr. Mohieddin accused the Government of intimidating voters and using a range of other tactics designed to prevent any real opposition candidate being elected to the People's Assembly.

"The man in the street now has a greater sense of fear than he did under Nasser," Mr. Mohieddin said. "Under Nasser it was the intellectuals and

certain privileged classes who were fearful. Today it is every ordinary citizen.

President Anwar Sadat's National Democratic Party scored an overwhelming victory in results so far announced for the election. Candidates who failed to win 50 per cent of the votes cast are involved in another round of voting on Thursday.

The United Progressive Party's two MPs including Mr. Mohieddin, were both defeated as were the party's other 29 candidates, although three fight again later this week.

Mr. Mohieddin said that in his constituency his vote had officially fallen from 22,000 when he was re-elected in 1976, to around 11,000 last week. He alleged that last-minute changes had been made in the qualifications allow-

ing women to vote and this had deprived him of an important number of supporters.

In another constituency a ballot box had been found to be full of completed voting slips before polling began. When the candidate complained he was taken to the police station for four hours.

Another spokesman for the left-wing party, which President Sadat has accused of taking orders from Moscow, said he thought there had never been such officially controlled elections in the history of the country.

The Administration is well aware that it cannot deliver the prosperity that it has promised will accompany the peace treaty with Israel and is seeking to tighten its grip before problems really begin," he said.

Islamic grip tightens on Iran press

By Andrew Whitley in Tehran

MAJOR CHANGES are taking place in the structure of Iran's Press, which will consolidate the ideological domination of the country by Islamic forces backing Ayatollah Khomeini.

The biggest publishing house in the Middle East, the Kayhan group, has been sold in the past week to a syndicate of bazaar dealers. A new morning daily critical of Mr. Abol Hassan Bani-Sadr, believed to be a member of the ruling Revolutionary Council, appeared on the streets earlier this month and Ettelaat, now the largest circulation newspaper, follows a slavishly pro-regime line.

A draft Press Bill, prepared by the Ministry of Information—renamed the Ministry of National Guidance—has been criticised by liberals for its intellectualism by putting too much power in the hands of the authorities. Among its provisions are three years' imprisonment for insults against leading clergymen.

The only independent publications still printing material critical of Iran's new rulers are the small circulation dailies, Ayandegan and Peyghambar-e Emrouz, and a number of weeklies, notably the satirical weeklies Abangar and Hajji Baba. They all lead a precarious existence, of which last month's 10-day shutdown by Ayandegan is an example.

The new era at Kayhan, once boasting a circulation of 15m, began yesterday when the owner, Hajji Agha Mahdian, took possession.

There had been no announcement of the takeover and the price paid by Mr. Mahdian and his friends has not been disclosed officially, although Senator Mustafa Mesbaziadeh, formerly the largest shareholder, now living in Paris, is said to be getting about 10m rials (\$14.3m).

Considering the attitude of the Islamic Republic to prominent individuals of the old regime like Mr. Mesbaziadeh, he is probably glad to have received that much. But estimates of the overall value of the Kayhan group, which published eight papers and magazines at one time, range up to \$80m (\$115m).

Senator Mesbaziadeh, who was sucked into the Shah's orbit, but the daily newspaper retained in the public mind, and in the view of the monarch, some of its critical left-wing traditions. During the height of the opposition movement last winter and in the brief days of genuine Press freedom, it played an active political role.

In taking over the group, the bazaar syndicate has also taken on an enormous debt, estimated at \$2.5bn (\$35.5m), resulting from over-ambitious expansion and modernisation plans just before the revolution and from losses sustained during the Iranian turmoil.

The 30-member Consultative Council, which was formed by exile groups at a meeting in Moscow, Tanzania, in March, has been meeting in private in Kampala for the past month. It is due to be enlarged to a membership of 90.

John Worrall reports from Kampala: A Kampala magistrate yesterday remanded Mr. Bob Astles, the British-born aide of former President Amin, for two weeks on a charge of violating Singapore company law. The charge against Astles, who was jeered by spectators, is that with four others he murdered a fisherman in March last year. He was remanded in custody to Luzira prison for two weeks. The question of bail was not raised.

Meanwhile, it was confirmed yesterday that Mr. Jim Slater has set up a fighting fund for Mr. Tarling, his former business colleague.

Tarling committed SINGAPORE — Mr. Richard Tarling, formerly chairman of Haw Par Brothers International, was yesterday committed for trial in the Singapore high court on five charges of violating Singapore company law.

Mr. Tarling told the court that he wanted to reserve his defence. Meanwhile, it was confirmed yesterday that Mr. Jim Slater has set up a fighting fund for Mr. Tarling, his former business colleague.

Mr. McKinnon is interested in purchasing 78 Grumman F-14 fighters from Iran. The F-14 is among the most sophisticated and costly fighters in the world. The Defence Minister has said he would like to get the Grumman F-14s for North American defence and 60 F-14s for Europe. The Iranian F-14s are available for \$300m, may jeopardise their support for the nuclear arms treaty with Moscow.

Mr. Zbigniew Brzezinski, the President's Security Adviser, said over the weekend on television that the MX decision had been burned by the time correspondents were allowed in. It now appears only a matter of time before troops move into the streets after capturing it from guerrillas fighting to overthrow General Anastasio Somoza, Nicaragua's President.

The same people who last weekend supported the teenage guerrillas were cleaning up the town yesterday under the watchful eye of the National Guard. Masaya, only 20 miles south of the Nicaraguan capital (where heavy fighting was reported yesterday) fell to government forces at the weekend, after four days of heavy fighting. The loss of life was high, but the exact number is not known. Most of the bodies

AMERICAN NEWS

Congress attacks FAA for 'disregard of flying public'

BY DAVID BUCHAN IN WASHINGTON

MR. LANGHORNE BOND, the Federal Aviation Administrator, yesterday came under heavy fire, before a Congressional Committee for allegedly putting the interests of airlines before those of passengers by not grounding all DC-10 aircraft in the U.S. indefinitely until 12 days after the Chicago air crash on May 25.

His agency's performance was attacked by other witnesses before the House Government Operations Committee and by several Congressmen. Mr. James Dunne, president of the Airline Passenger's Association, called for Mr. Bond's resignation for serious incompetence and near total disregard for the flying public.

Mr. John Burton, the Committee chairman, alleged that Mr. Bond had tried to pressure his Congressional committee into delaying its hearings. The charge was denied by Mr. Bond, who asserted that at every step the FAA had put safety issues paramount on the basis of available technical evidence, despite widespread inconvenience to air passengers and cash losses to airlines owing DC-10s.

In the aftermath of the Chicago crash and investigations, U.S. airlines yesterday began inspections of engine mounting of all their wide-bodied jets, regardless of their individual manufacturer, as requested by the FAA over the weekend. This covers the Boeing 747, the Lockheed L-1011 and the European-made A-300 Airbus, though these aircraft, unlike the grounded DC-10s, can continue in service while the checks are made.

Mr. Burton accused the FAA of delaying the revocation of airworthiness certificates for the DC-10s until June 6, when the agency had evidence as early as June that structural weaknesses were obvious in the DC-10 pylon attachments.

These, he said, should have been clear at the time of manu-

facture by McDonnell Douglas, and raised serious questions about the original certification of the aircraft by the FAA.

The FAA Administrator contested this, saying these weaknesses had come to light only on June 5, and that his agency had acted speedily the next day in ordering the indefinite grounding of the aircraft.

He said the FAA was not conducting two inquiries. The first was into the maintenance practices of the eight U.S. airlines operating DC-10s, and the second was a study supervised by the FAA of the DC-10 engine made by General Electric to see whether vibration was in any way to blame for the loss of the engine which caused the crash at Chicago of an American Airlines aircraft.

Michael Donne adds: The world fleet of 277 McDonnell Douglas DC-10 wide-bodied jet airliners will probably stay grounded for several more days, despite mounting protests from the airlines. This became clear

yesterday as inspectors from the FAA moved into U.S. airline fleets to examine the aircraft and study maintenance records.

Outside the U.S. airworthiness bodies were still awaiting detailed answers from the FAA to questions about the DC-10 grounding last week, particularly technical questions on the reasons for the FAA's actions.

The UK Civil Aviation Authority has sent a small team to the U.S. to clarify the facts behind the FAA's actions, and it will also be sending a senior safety adviser, Mr. Geoffrey Chouffot, to a meeting in Paris today of the European Civil Aviation Conference.

The DC-10s will be allowed to fly again only when the FAA and the other bodies can be convinced by their own and their airlines' studies that the further cracks found in DC-10 engine-wing pylon mountings were due to faulty or clumsy maintenance procedures, and not to design flaws or metal fatigue.

It seems most likely that the FAA will eventually release the later model DC-10s, such as Series 30s and 40s, before the older Series 10s. It was a Series 10 DC-10 that crashed at Chicago recently, killing 276 people.

In the meantime, airlines continue to fume at the waste of resources through their fleets being grounded, and there are increasing threats of legal action against the FAA and other bodies, seeking compensation for loss of revenue.

Airlines checking the engine mounting installations on other wide-bodied jets stressed yesterday that the FAA's request to do this was not a mandatory one, but purely precautionary to try to ensure that proper maintenance procedures were being observed, and to check that the faults in the DC-10 had not been perpetuated in other aircraft.

Commons statement, Page 7



Mr. Langhorne Bond defends FAA's grounding of DC-10 aircraft.

Check on cost of gas pipeline

BY DAVID LASCELLES IN NEW YORK

MINDFUL of the soaring costs of the Alaskan oil pipeline, Washington has developed a formula to check the cost of building its twin, a 1,800-mile pipeline to transport natural gas from Prudhoe Bay across Canada to the U.S.

The Federal Energy Regulatory Commission has offered the building consortium a lower rate of return than they want, but says this rate will be increased if costs are kept down.

If costs work out between \$13bn-\$18bn, as estimated, the rate of return will be 17.5 per cent for the stretch of pipeline in Alaska and 16 per cent for the rest. But as costs go up, the rate of return goes down. If final costs are twice the original estimate, the rate will be 12.5 per cent for Alaska and 11 per cent for the rest.

If, on the other hand, costs go down, the rate of return

could rise to over 20 per cent. The pipeline is due to be completed by 1984, but the expense and other regulatory problems means its chances of going ahead at all are still less than 100 per cent.

AP adds from Washington: Oil companies apparently stockpiled some crude oil instead of refining it into petrol, helping bring on current shortages, a senior official of the U.S. Federal Trade Commission yesterday told a House of Representatives subcommittee.

Mr. Alfred Dougherty, Director of the FTC's Bureau of competition, said that statistics showed that petroleum imports have continued at near normal levels despite last winter's interruption in oil supplies from Iran. He said that other oil-exporting nations appear to have increased their production.

However, he said, reported production from domestic refineries has been below normal rates. "Where did the crude oil go? It appears that some crude oil was being stockpiled," he said.

Mr. Dougherty cautioned that his conclusions were based only on analysis of publicly available information. The U.S. Department of Energy, which has data from each oil company, has not turned over that information to the FTC, he said.

Statistics by the International Energy Agency showed, deliveries of crude oil into the U.S. during the first quarter of 1979 to be almost 3.5 per cent greater than during the same months last year.

"These numbers strongly suggest that curtailments in Iran did not prevent imports from arriving in the U.S. at near-normal rates," he said.

Canada delays choice of fighter aircraft '\$12bn over-estimate' in cost of missile

By Victor Macle in Ottawa

The Progressive Conservative Cabinet is expected to delay a decision on the C82.30n (\$942m) fighter aircraft programme by up to eight weeks, according to Mr. Allan McKinnon, the Defence Minister. The previous Liberal Government planned to sign a contract for 130 to 150 aircraft next October.

The Liberals had narrowed the competition to two aircraft—the General Dynamics F-16 and the McDonnell Douglas F-18A. Final contract talks have been completed with both companies.

Mr. McKinnon is interested in purchasing 78 Grumman F-14 fighters from Iran. The F-14 is among the most sophisticated and costly fighters in the world. The Defence Minister has said he would like to get the Grumman F-14s for North American defence and 60 F-14s for Europe. The Iranian F-14s are available for \$300m, may jeopardise their support for the nuclear arms treaty with Moscow.

Mr. Zbigniew Brzezinski, the President's Security Adviser, said over the weekend on television that the MX decision had been burned by the time correspondents were allowed in. It now appears only a matter of time before troops move into the streets after capturing it from guerrillas fighting to overthrow General Anastasio Somoza, Nicaragua's President.

The same people who last weekend supported the teenage guerrillas were cleaning up the town yesterday under the watchful eye of the National Guard. Masaya, only 20 miles south of the Nicaraguan capital (where heavy fighting was reported yesterday) fell to government forces at the weekend, after four days of heavy fighting. The loss of life was high, but the exact number is not known. Most of the bodies

ensured that the U.S. would not drop behind the Soviet Union in nuclear weaponry. The purpose of a mobile system is to complicate the Russian task of targeting their missiles on the U.S.

Senator Hatfield, a man on the liberal wing of the Republican Party, said the basic flaw in the air force study of the mobile Minuteman option was to estimate that 12,000 shelters would be needed to house Minutemen, but only 4,500 launch points would be needed for some 200 MX missiles.

CLT FINANCIAL SERVICES, a subsidiary of C.I.T. Financial Corporation, has signed an agreement with IVECO Trucks of North America to handle the financing of diesel-powered Magirus trucks in the U.S.

Reuter reports from New York: IVECO, jointly owned by Fiat of Italy and Klockner-Humboldt-Deutz of West Germany, is the exclusive U.S. distributor for Magirus trucks made in West Germany.

Among the priorities in setting Ecuador on a distribution-oriented development path, the planning studies singles out a major oil and gas exploration programme, big emphasis on agricultural marketing and land reform, a change from oil fuels to water power in the energy sector, and support for industries which create large numbers of jobs, use local materials and generate exports in the future. It suggests a complete revision of state subsidies, particularly hydrocarbons and forestry.

Though there are bound to be immediate confrontations in areas such as land reform, Sr. Roldos has also made clear that resources for a proving agricultural productivity will be generous, as if, as he promises, the rule of the game are clear defined from the start. It should help subside fears, arbitrary takeovers.

AP-DJ adds from Managua: The U.S. embassy was evacuating the wives and children of embassy staff yesterday, as heavy fighting raged in



Roldos sets tone of participation in Ecuador

By Santa Kendall in Quito

ECUADOR'S President-elect, Sr. Jaime Roldos Aguilera, has set to work already, two months before the military junta is scheduled to hand over power on August 10. Sr. Roldos last month began a gruelling round of the country's 20 provinces to discuss local problems with municipal councils, trades unions, chambers of commerce and peasant organisations, setting the tone for a government of participation.

The size of Sr. Roldos's majority—he took more than 62 per cent of the vote—is, however, a double-edged sword. Though he has a clear mandate for social and economic change, his popularity will evaporate quickly if he is hemmed in by Conservative opposition and economic limitations.

The President-elect said after the vote that his first step would be to set in motion fundamental changes, attacking the "oligarchic, semi-feudal and dependent structures of Ecuador as a whole, not hit by his war just with palliatives."

Some Right-wing business groups have shown they will resist such changes strongly, while the more progressive sections—including many foreign investors—are all in favour of a modernising influence. But the majority are waiting to see what happens during the first months of the new Government before committing themselves to any large projects.

Sr. Roldos has done his utmost to convince the private sector that he intends to provide maximum stability for long-term investments, and despite the populist origins of his party, he has shown little tendency towards populist gestures.

His analysis of the changes needed in Ecuador is sober and he speaks of initiating a process, not performing miracles. With oil exports dropping steeply over the next five years, there will be little opportunity for miracles during this Presidential term, and financing public sector projects is going to be a headache.

A study by the national planning department which outlines a strategy for development up to the year 2000, reflects—consciously or unconsciously—the thinking of Sr. Roldos and his Vice-President, Sr. Osvaldo Hurtado. It puts forward some discouraging figures: the volume of crude-oil exports will decrease to practically zero in 1984 because of soaring local consumption and lower production, and though high prices will compensate for the fall in earnings this year, from 1980 on these will drop too.

As a result total exports will remain at about \$1.5bn, with industrialised exports steadily increasing their share. But the demand for imports, especially intermediate and capital goods, will not slacken.

Unless foreign borrowing is strictly controlled, the study forecasts that Ecuador's foreign debt could be more than \$5.3bn after five years compared with nearly \$2bn now. It also highlights the trend towards an increasing concentration of wealth, both personal and regional, despite high economic growth rates and heavy spending on social and physical infrastructure since crude exports began seven years ago.

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INDONESIAN PETROLEUM

High prices spur exploration

BY DILIP MUKERJEE IN KUALA LUMPUR

INDONESIA DOES not expect to have any difficulty in mobilising the capital needed over the next five years to develop its hydrocarbon resources. As Dr. Subroto, the energy minister, told a conference of the Indonesian Petroleum Association recently, he expects oil prices to rise faster than world inflation and he believes that situation will offer greater financial incentives to production contractors to find and win expanded volumes of oil.

General Piet Haryono, Director-General of the State Oil Company, Pertamina, told the same conference he estimated the total outlay required for oil and gas exploration and development to be \$2.15bn in the five years 1979-80 to 1983-84. He was confident that this would result in a 14 per cent increase in Indonesian oil production from 1.59m barrels a day to 1.82m b/d from already proven reserves.

His confident prognosis was endorsed by Mr. Ray Huffington, whose company has a small stake in offshore oil and a large one in natural gas. He expected drilling activity to be increased by 50 per cent in the next five years with at least 80 rigs operating in 1983-84. He prophesied that new discoveries in this period would only offset depletion but would also add at least 25 per cent to the reserves.

though official statistics record the discovery of 140 new fields in 1970-78. The largest of these is the Handil field of East Kalimantan (Borneo) which currently produces 175,000 b/d—a modest output compared to the oldest and most prolific on-shore areas of Sumatra worked by Caltex which still account for over half of Indonesia's total



output. Dr. Subroto pointedly called attention to the world-wide trend towards "the discovery of smaller pools or more remote and difficult reservoirs." He was in effect discouraging any facile optimism about the future. He emphasised conservation of resources, and he outlined steps being taken to restrain domestic consumption of crude (which now stands at about 20 per cent of Indonesia's production) by developing

alternative energy sources, chiefly hydro-power and coal. What Indonesia, like other oil producers, wants to do is to divert an increasing proportion of its oil and gas for use as industrial feedstock in the belief that this will enhance benefits accruing to the economy in terms of jobs, foreign trade and contribution to the GNP. The

in return for an Indonesian commitment to sell the entire output to Japanese utilities. What Indonesia, like other oil producers, wants to do is to divert an increasing proportion of its oil and gas for use as industrial feedstock in the belief that this will enhance benefits accruing to the economy in terms of jobs, foreign trade and contribution to the GNP. The

plans it has for downstream operations call for very large investment, with Gen. Haryono setting a figure as high as \$17.6bn as the total required for all oil and gas-related activities in the five years ending 1983-84. There is expected to be no difficulty in finding money for development, yielding a strong and sustained demand in industrial countries. Japan has, for instance, financed two LNG plants at a cost of almost \$1.5bn

in the Gulf states and Singapore.

Japan pays out insurance claims on N. Korean debts

BY RICHARD C. HANSON IN TOKYO

THE MINISTRY of International Trade and Industry (MITI) has announced that it will pay out small amounts in insurance to some small and medium-sized companies with difficulties resulting from the failure of North Korea to pay its bills.

MITI declined to say how much or to which companies the port insurance has been paid. It said the Ministry is just

a fraction of the estimated ¥80bn that North Korea owes Japan for plant and equipment ordered in the early to mid-1970s.

In principle, MITI's agreement to pay out port insurance would indicate that it considers the defaulting party to be virtually bankrupt and that economic ties should be severed. In fact, MITI does not consider this to be the case, and

the payments have only been made to Japanese companies which are having financial problems.

The payments were made as prolonged negotiations on the repayment of North Korean debts continue—Mr. Bang Ki Yong, the president of the Foreign Trade Bank of North Korea, is expected to arrive in Tokyo shortly for talks.

North Korea asked Japan in December 1978 for a moratorium on the payment of its trade debts. Japan agreed to a two and a half year delay, but Pyongyang defaulted again last year. Even so exports from Japan to North Korea have continued, amounting to \$180m in 1978.

MITI will probably find that others holding bad debts with North Korea will now line up to get payments on export insurance. MITI appears to be hoping that in their negotiations with private bankers and businessmen the North Koreans will agree to make some payment to defuse the situation.

The Japanese Government, which has no formal ties with North Korea (relations are maintained through a private association) may be anxious to keep what relationship it does have intact. North Korea is considered to be a natural in the strained relations between the Soviet Union and China.

Australia has May surplus of A\$186m

CANNBERRA — Australia's

trade surplus in May widened to A\$186m (£100m) from A\$22m in May last year, according to the Statistics Bureau.

The Bureau said exports were valued at A\$1,564bn, up from A\$1,042bn a year earlier, while imports were valued at A\$1,378bn, up from A\$1,020bn. Imports are on the basis of value for duty for customs purposes, excluding freight and insurance.

The trade balance showed a surplus of A\$343m for the 11 months ending May compared with a surplus of A\$966m for the corresponding period a year earlier.

Exports earned A\$13bn, up from A\$11.2bn, while imports cost A\$12.5bn, up from A\$10.1bn. AP-DJ

Salen orders rigs

Salen Energy, a subsidiary of the Salen Shipping group of Sweden is placing orders worth about SKr 250m (£28m) with the Gotaverken Arenal yard in Gothenburg for two offshore drilling rigs of the jack-up type, writes William Duffell from Stockholm. The rigs will be used in the Gulf of Mexico where Salen is already operating two jack-ups. They will be delivered at the end of 1980 and beginning of 1981.

Manufacturers prepare for 'commuter' aircraft boom

BY MICHAEL DUNNE, AEROSPACE CORRESPONDENT

SHORT BROTHERS and Harland, the Belfast-based aircraft manufacturer, has won orders for five more of its Series 330 "Commuter" airliner, bringing total sales of this 30-seater to 41 aircraft, worth more than \$40m, from 12 airlines.

The new orders are all from the U.S. Mississippi Valley Airlines, a local service operator, has ordered three of the 330s. Chautauqua Airlines, of Jamestown, New York, has ordered a third aircraft, while Henson Aviation, of Hagerstown, Maryland, has converted an option into a firm order, bringing its fleet to three.

Meanwhile it was revealed at the Paris Air Show yesterday that Fokker, the Dutch aircraft manufacturer, is to continue

production of its popular F-27 twin-turbo-prop feeder-liner through the 1980s.

Preparations are in hand for a considerable step-up in the rate of production to meet surging demand for the F-27.

This will bring good business to Rolls-Royce, for two of its Dart turbo-prop engines power each F-27, while many other parts of the aircraft and its systems are supplied by UK companies.

One factor behind the F-27 development is the recent civil aviation deregulation Act in the U.S., which now enables "commuter" airlines to operate larger aircraft, seating up to 56 passengers or 18,000 lb payload weight.

With a capacity of 40-56, or

payload capacity of 13,500 lb, the Fokker F-27 is regarded as one of the main candidates to fill what is seen as a rapidly growing market.

Another result of the Act, and the growth of the commuter market, is that an increasing number of manufacturers are developing aircraft especially for it.

Beech, one of the world's biggest builders of light transport aircraft, announced at the Paris Air Show that it intends to build a 19-passenger aircraft, the Beechcraft 1800.

Orders are now being booked, and deliveries are scheduled for 1983. Studies are also under way at Beech for an additional, larger airliner, seating up to 25 passengers.

UNCTAD 'anything but a failure'

By Frank Gray

IN SPITE of an agenda that was "too long and too diffuse," the recent UN Conference on Trade and Development in Manila was "anything but a failure."

Mr. Cecil Parkinson, Britain's Minister for Trade who led the British negotiating team at the month-long talks, acknowledged that many countries attending the talks "went there with too-high hopes, and they must have been disappointed."

Nevertheless, Britain's objective was to persuade developing countries of their common interest with the developed nations "in maintaining and strengthening—not in overturning—the existing international arrangements for co-operation on trade and financial issues."

He said Britain had won support from many of the Group of 77 developing countries for its call for international support for the recent Tokyo Round trade agreement.

The Tokyo Round talks "were seen as a way to resist protectionist pressures on the Governments of developed countries and not as a way of pandering" to these pressures, Mr. Parkinson said.

Singapore picks GE engines for Airbus

BY OUR SINGAPORE CORRESPONDENT

SINGAPORE AIRLINES (SIA) has selected the General Electric CF6-50C2 engine to power its Airbus A300.

Six of these aircraft have been ordered from Airbus Industrie for delivery between January 1981 and March 1983 while another six are on option for delivery from February 1984.

The A300 will be powered by

two of these engines, each delivering 52,500 lb of thrust. The cost of the engines, including spare engines, for the six aircraft already on firm order is \$47m.

SIA commented that the other contender, the Pratt and Whitney JT9D-59A engine, is fairly comparable to the General Electric engine in

terms of fuel consumption, engine reliability, and overhaul and maintenance costs. But what swung it in favour of the General Electric engine are

firstly, the 900 kilogramme weight advantage of the General Electric engine and secondly, its widespread use on A300 aircraft in this region. These factors will enable SIA to enjoy a greater payload on vital routes.

Ship orders rise sharply

BY YOKO SHIBATA IN TOKYO

PORT ORDERS for 36 ships worth ¥130bn (\$284m) were placed by Japanese shipbuilders in May, according to Japanese economic journal Keizai Shimbun. The use figure for May will be announced at the end of this month by the Japan Shipbuilders' Association. But if preliminary estimate is correct, export orders in May amounted for nearly one-third the total export orders placed in fiscal 1978 (totaling ¥4bn) and the record high of 1978.

Ship export contracts have begun to edge up since the start of this year. January's port orders stood at 11 ships worth ¥87.8bn in value, followed by 9 ships worth ¥31.3bn in February, 18 ships worth ¥1.8bn in March and 2 ships worth ¥12.2bn in April. The up increase in May was attributed to a rush in contracts ahead of the

impending enforcement of stringent tanker safety regulations by the Inter-governmental Maritime Consultative Organisation (IMCO).

Recent export orders include several 80,000 dead weight tons class tankers. Most shipbuilders are reported to have two or three such vessels on their order books.

According to industry officials, the upturn of export orders reflects the recovery of export prices. Prices for 80,000 dead weight tons class tankers were quoted as high as ¥3,500m to ¥5,700m in May compared with ¥4,000m in February. The sharp recovery of prices (up 20 per cent in three months) is attributed in part to the 35 per cent curtailment of Japan's shipbuilding capacity, carried out to rescue the industry from the prolonged recession. As a result of the capacity cuts shipyards now have their hands full with new building orders.

Nippon Steel talks in Peking

OKYO — Mr. Eiichi Saito, president of Nippon Steel, is here for talks in Peking reactivating a \$1bn export tract for equipment to be used at a new steel factory in Pao-shan, near Shanghai. Saito will meet officials of China National Technical Corp. to discuss contract terms, including financing, a Nippon Steel spokesman said.

he contract, one of about 22 Chinese industrial plant contracts worth a total of nearly \$1bn suspended by China last year, is expected to be

reactivated next week, he added. The spokesman refused to disclose terms now being discussed, but Japanese industry officials said both sides appeared to have reached broad agreement on a deferred payment formula, half in yen and half in dollars, at an annual interest rate of 7.25 per cent with a 15 per cent down payment.

Last week China reactivated three Japanese contracts, for ammonia manufacturing factories and an aluminium smelting plant, worth \$280m. Reuters

50% rise in Swiss testing group's turnover reported

BY BRIJ KHANDARIA IN GENEVA

ete Generale de Surveillance (SGS), the Geneva-based inspection company, has raised its turnover by 50 per cent in five years to Sfr 437m (£123m) in 1978 compared with Sfr 288m (£82m) in 1973. The company declared a dividend of Sfr 100 per share compared with Sfr 90 in 1977 and Sfr 65 in 1974.

he turnover last year was 40 per cent down from Sfr 460m in 1977 because of the franc's revaluation against foreign currencies.

These details are disclosed in a report on SGS by a leading Swiss bank Pictet et Cie. It is the first bank report on the company, the largest inspection group in international trade.

GS was established in 1875 in France, in 1878 in Switzerland through six divisions dealing with a separate inspection of goods.

he main functions are to inspect quality, weight and standards for clients buying goods including grain, minerals, processed food, industrial equipment and petrochemicals. GS handles administrative customs formalities, transport, supply and despatch planning and handling of all stages commercial transactions.

about 70 per cent of SGS's turnover comes from Europe, where it is hired by corporations wishing to ensure that

goods are up to the standards and specifications stipulated in purchase contracts.

About 6.5 per cent of the business comes from North America, 7.3 per cent from South America, 8.9 per cent from Australasia and the Far East and another 6.5 per cent from Africa and the Middle East.

A recent development is that SGS is inspecting goods exported to developing countries from the West, instead of the traditional pattern under which SGS inspected Western imports from poorer nations.

The most prominent example of this development is a multi-million dollar contract awarded to SGS by Nigeria last year under which the company inspects every aspect of almost all of Nigeria's imports including price provisions. Exporters had complained that SGS inspection procedures are delaying business transactions.

Pictet et Cie predicts that SGS, which is owned by a handful of wealthy shareholders is likely in the long run to "take up the option of opening up further to the public." SGS's share capital is valued at Sfr 12.5m, made up of 62,500 shares each with a nominal value of Sfr 200.

The bank thinks that the intrinsic value of each share is more than Sfr 3,000. This compares with the latest fiscal rate cited by the banks as Sfr 1,550.

Knitwear makers urged to buy new machinery

BY RHYTS DAVID

TAINE'S KNITWEAR manufacturers are urged to improve export performance and to up investment in new machinery in a report by the union representing the sector to its annual conference.

Exports by the industry rose last year by £14m (£288m) but imports rose by £1m increasing the sector's deficit to £50m. Employment during the year dropped around 3,800 to 115,000.

he National Union of Hosiery and Knitwear Workers, commenting on these figures, urged manufacturers that unless steps are made to find new markets in Europe and other parts of the world, employers' employees will diminish number and it urges all its members to ask management in individual companies what is going to remain competitive Europe.

The report draws attention to National Economic Development Office (NEDO) sector working party finding which

one-quarter of the EEC knitting labour force but had only 5 per cent of EEC exports to the major developed countries.

It also complains that efforts to discuss the sector working party work at local level have been frustrated by a lack of co-operation and response from employers.

Mr. Harold Gibson, the union's president, in a separate address yesterday called for mergers among textile unions to enable services to members to be improved. Mr. Gibson, whose own union represents around 73,000 workers, said it was doubtful if unions with small or medium sized memberships could survive in Britain over the next 10 years.

The Clothing and Footwear Institute, a new body to represent the two industries has been created by a merger of the Clothing Institute and the British Boot and Shoe Institute. The new organisation, which will be based at Hendon in London, will represent a total of 7,000 companies and individuals.



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UK NEWS

Oil vessel order may go to Finland

By Ray Perman, Scottish Correspondent

AN IMPORTANT order for a technologically advanced oil maintenance and emergency vessel is almost certain to go abroad, probably to the Rauma Repola yard in Finland.

Shell and Esso are ordering the semi-submersible vessel for their North Sea fields and will announce in the next few days who is to build it.

Tenders of about £70m have been received from two British yards, Scott Lithgow, on the Lower Clyde, and Harland and Wolff, Belfast; but bids of about £40m have been put in from yards in Finland, Holland, West Germany and Japan.

Guarantees

The overseas yards have also offered guaranteed delivery schedules of two years or less. The British yards would take three years to build the vessel. Rauma Repola has a good reputation for building semi-submersibles and is close to the North Sea, allowing delivery costs to be kept low.

A deputation from Scott Lithgow, led by Mr. Dickson Mabon, MP for Greenock, and Mr. Ross Belch, the yard's managing director, yesterday told Mr. Hamish Gray, the Energy Minister, that neither British yard could hope to win the order unless the Government was willing to subsidise its price against the foreign competition.

Mr. Gray indicated that the Government was unlikely to consider bridging such a large price gap and that he was unwilling to intervene in a commercial decision by the oil companies.

Technology

The order is only the second for this type of vessel for the North Sea and is likely to be followed by several more from other oil companies.

Yards around the world are anxious to learn the technology involved now, to be in a good position to win future work.

Scott Lithgow secured the contract to build the first oil support vessel for BP, but only after strong pressure by the last Government to ensure that the work was done in Britain.

Olympics visit is top prize

By James McDonald

A 17-DAY visit to Moscow for the 1980 Olympics is the first prize being offered to the "newspaper delivery boy, or girl of the year" and their parents, in a campaign announced in London by the Newspaper Publishers Association.

The campaign is designed to increase home deliveries of newspapers. "We are one of the few nations in the world which still has home deliveries," said the NPA.

Apart from newspapers, newsagents and their delivery boys and girls, are being asked to deliver leaflets asking householders to take a regular delivery of newspapers and periodicals.

Portable televisions, track suits, cash prizes, sports bags and books—plus the 1980 Olympic motif, are also included in the prizes.

Newsagents will receive entry forms for their delivery boys and girls, in September.

Why Crown Agent's life style went unchecked

THE LIFE-STYLE of the late Mr. Bernard Wheatley, former Crown Agents' money market manager, was the subject of questions yesterday at the tribunal investigating Crown Agents' losses of more than £200m after its involvement with secondary banking and property.

Mr. Alan Challis, former head of the agent's financial directorate, agreed with Mr. Robert Gatehouse QC, for the tribunal, that he had not exercised proper control in monitoring the performance of Mr. Wheatley, who had sole discretion and power to grant secured and unsecured loans running into millions of pounds.

At the time of his death, in 1977, Mr. Wheatley had been committed for trial on corruption charges.

Mr. Challis said the failure to monitor Mr. Wheatley's performance "is a failure of mine and is not necessarily a failure of the system. There was no incident which occurred such as a loan which was any fundamental defect in the control system."

Mr. Gatehouse: You can have a fundamental defect in the system which, by luck, does not result in a loss.

Top civil servants warned of letter bombs' danger

BY MAURICE SAMUELSON

SENIOR civil servants have been told to take care with their mail following the discovery in Birmingham yesterday of two letter bombs containing deadly amounts of high explosives. On Friday four people were injured in Birmingham by letter bombs. On Saturday a letter bomb exploded in a postman's mail bag near the house of Mr. Justice Maise at Streteley, Berks.

The two unexploded bombs were in brown manila envelopes measuring 12 inches by nine and bearing the words: "If undelivered please return to Pearl Assurance." Both had Northern Ireland 9p stamps on them but may have been posted in the Birmingham area.

They were discovered in Birmingham's main sorting office. They were addressed to senior civil servants, one in London and the other Guildford, Surrey. Police said particular care should be taken by civil servants listed in "Who's Who," regardless of where they lived.

West Midlands CID said there was no obvious connection between the two addresses of the unexploded letters and

Ireland. No-one had yet claimed responsibility for them. However the Provisional IRA was a possible suspect.

Old envelopes

Pearl Assurance said the envelopes containing the bombs were of a type no longer used by the company. They gave the address of the company's head office in High Holborn, London, where 1,200 people are employed, and would not have been available at another office.

Three of the bombs which exploded in Birmingham on Friday went off in the city's central sorting office in Severn Street, one of the biggest in Europe. The police appealed to the public not to post mail to and from the Birmingham area until tomorrow while they examined more than 1m other letters and 150,000 parcels held up during the sorting office's closure.

Scotland Yard has advised the public to:

- Beware of bulky packets or parcels;
- Check postmarks of all mail;
- Leave suspicious letters or parcels aside; and
- Call the police if in doubt.

Euromarket control 'threat to stability'

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

INTERNATIONAL EFFORTS to apply controls to the Eurocurrency markets carry with them grave risks for global financial stability, Mr. Walter Wriston, chairman of Citicorp, warned yesterday.

Today's efforts by some governments to apply reserve requirements or other controls were only intended to mute the market's response to wide differences in domestic economic policies, Mr. Wriston told more than 100 senior bankers at the International Monetary Conference in London.

"The very fact that the Eurocurrency market has been free has enabled it to act as a safety valve to the financial tensions and pressures inflicted by varying monetary and fiscal policies and such events as the OPEC oil price increases."

Mr. Wriston told the delegates—the chief executives of the world's largest commercial banks—that in the Euromarkets technology has combined with finance in a new and unique way that makes obsolete some of the old ideas of compartmentalised national markets.

"No one designed them, no one authorised them, and no one controlled them. They were fostered by controls, raised by technology and today the yard refugees from national attempts to allocate credit and capital for reasons which have little or nothing to do with finance and economics."

The market's strength, resilience and depth has confounded

its critics and surprised even its supporters, he said. "The Eurocurrency market proved conclusively that, although the world may still be divided politically, it is one economically and financially."

The creation of the Eurocurrency market amounted to "a quantum jump" in the efficient channelling of the world's capital flows. Some governments did not like this, arguing that the very efficiency of the system undermined or complicated national monetary policy.

Behind this lay the complaint that the existence of a free market disciplined governments when they engaged in over-expansionary policies. Mr. Wriston said the old discipline of the gold standard had been replaced by the discipline of the communications revolution. "While the new control is not as harsh as the old automatic adjustment of gold shipments, it is in the end almost as certain. It is the successor to the Bretton Woods arrangement, with its pegged rates, where the market place punished overly inflationary countries through the loss of reserves."

"If governments and central bankers now intervene more actively to control international capital markets, it cannot be doubted that another fruitful source of political conflict among governments will thereby be opened up—along with the negative effects of such intervention on the economic efficiency of these markets."

Accountancy hearings

BY MICHAEL LAFFERTY

AT LEAST 30 organisations and individuals have given notice that they will appear at the UK accountancy profession's first public hearings on accounting standards next month.

The hearings will be held in Glasgow on July 5, in Dublin on July 11, and in London on July 19 and 20. At present it is expected that there will be six speakers at the Glasgow and Dublin hearings and 18 appearing over the two days in London.

The hearings are intended to help in reforming the accounting standard-setting process, which at present is wholly controlled

Surprisingly, the Stock Exchange is to send a speaker to the London hearings. The Exchange has come under attack in the accountancy profession in recent months for failure to enforce accounting standards on quoted companies.

The regulations will require all unholstered furniture to be resistant to smokers' materials. During an interim period before the regulations become fully effective furniture that does not meet the safety requirements will have to carry a warning label. The timing of the introduction of the regulations will be decided in the light of comments on the proposed

requirements.

Managers disagree over EEC impact

British managers see the growing integration of Europe as having a major impact on their companies and country, while their German counterparts see it as having little or no effect, according to a survey of European managers.

Nearly eight out of 10 British managers surveyed believed the growing unification of Europe would have important long-term repercussions for their companies. In marked contrast, seven out of 10 German managers thought it was of little or no importance.

The survey, which was carried out in France, Belgium, Netherlands, West Germany and the UK, showed German managers to be consistently less impressed by the impact of the growing unification of Europe than the other four.

Economy

Ninety-four per cent of the French managers believed that a growing Europe was good for their national economy. This view was shared by 86 per cent of both Belgian and Dutch managers, by 75 per cent of the British and 60 per cent of the Germans.

A similar pattern of opinion emerged over the importance of the elections to the European parliament. More than 90 per cent of the French and Belgians saw the elections as important, compared with 65 per cent of Germans.

The managers were also asked what concerned their companies most over the continuing process of European unification. There was almost unanimous agreement that EEC legal regulations and technical standards were the biggest problems.

European Election Special, Eurosurvey 48-44 Albemarle Street, London W1.

Management urged to seize chance

MANAGEMENT must seize the new opportunities presented by the election of a Conservative Government, Mr. John Greenborough, President of the Confederation of British Industry, told a seminar organised by the Midlands Engineering Employers' Association in Birmingham yesterday.

But he gave a warning of the difficulties companies faced in the increasingly competitive world markets. He hoped today's Budget would offer real incentives for the risk takers.

Wasted food 'costs Britain £27m a year'

FOOD TASTED in office canteens, hospitals, schools and hotels may be costing Britain as much as £27m a year, according to a survey by M. Jean Conill, master chef and former professional caterer. He lays much of the blame on the subsidised canteen which, he claims, gives workers too much of the wrong food.

"For three years I watched piles of bread and vegetables thrown away from the canteens of a large industrial firm. The waste is incredible and disgraceful. For every pound spent about 20p went into the dustbin," he said.

"I am convinced that the British system of subsidising industrial and school canteens is largely to blame. We could cut waste if people had to pay a more realistic price for their meals."

These were improved recently.

Rolls-Royce signs deal to make Airbus engines

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

In future he able to order the European A-300 Airbus, and its smaller version, the A-310, with Rolls-Royce RB-211 engines. Hitherto, both aircraft have been available only with the rival General Electric or Pratt and Whitney engines from the U.S.

This is the result of a Memorandum of Understanding signed at the Paris Air Show yesterday by Sir Kenneth Keith, chairman of Rolls-Royce, and Mr. Bernard Lathiere, president of Airbus Industrie, the European group building the A-300 and A-310.

The agreement allows the two companies to work out performance specifications for the Dash 524 version of the RB-211 engine in both the A-300 and A-310. Work will include design of an engine-wing pylon mounting for the RB-211 on the Airbus, together with wind tunnel testing.

The Dash 524 version of the RB-211 is already in production for Boeing 747s and Lockheed TriStars. The model intended

for the Airbus, the 524D, will be ready by March, 1981. It will have a thrust of up to 53,000 lbs.

The decision to go ahead with the RB-211 on the Airbus stems from requests from several potential customers for that engine-airframe combination. Mr. Lathiere said the new agreement would result in further substantial sales of Airbus.

So far, orders for the Airbus and at 348 aircraft (210 firm orders and 127 options), of which 230 are for the A-300 (167 firm and 72 options) and 107 for the A-310 (52 firm and 55 options). The A-300 is already in service, and the A-310 is due to enter service in 1983.

Mr. Lathiere said that Airbus Industrie could foresee total orders from its 23 customer airlines rising to at least 850 aircraft.

"Since we don't intend to stop obtaining new customers, it is clear that we will sell over 1,000 aircraft for the first time in the history of the European

aircraft industry. Even our competitors credit us with an estimated 1,400."

He said the A-300 and the A-310 would remain in service well beyond the year 2000. "We are talking of a production and operating life of some 30 or 40 years," he said.

Mr. Lathiere said Airbus Industrie (in which British Aerospace has a 20 per cent stake), intends to raise production of the Airbus. "We reached a rate of two aircraft a month six months ago. Our target is eight a month by 1983."

The decision to put the Rolls-Royce RB-211 engine on the Airbus will involve British Aerospace, which is responsible for design, development and production of the wings for all the A-300s and A-310s.

It also means that Rolls-Royce will have a stake in both the U.S. and European "jet airliner". The RB-211 in its 535C version is already on offer to airlines in the new Boeing 737 twin-engine short-haul jet, which is a competitor to the A-310.



Mr. Bernard Lathiere, president of Airbus Industrie, has shaped one of the biggest success stories in European civil aviation, as orders for the A-300 Airbus continue to rise. He forecasts total sales of over 1,000 Airbus through the 1980s and beyond.

Go-ahead for modernisation at Aldergrove Airport

BY OUR BELFAST CORRESPONDENT

THE GOVERNMENT gave the go-ahead yesterday for the second stage of a £17m redevelopment programme at Aldergrove Airport, Belfast. Mr. Philip Goodhart, Northern Ireland Environment Minister, says the plans to double the size of passenger facilities would proceed in spite of the constraints on public expenditure.

The second phase of the modernisation will cost £8.5m. Work will start in the spring of next year. The redevelopment programme is being grant-aided by the Northern Ireland department of the Environment and by the European Regional Development Fund.

The first part of the scheme, which was begun last year, will be finished by early 1980.

Urgently needed work on the aircraft pavement area and on a new taxi way to the main runway has already been completed. Improved ground and lighting and landing aids to make the airport less vulnerable to closure because of poor weather are being installed. Work has also started on a new car park.

The second phase involves passenger facilities. The present terminal building will be doubled in size. A new pier will be built to handle both domestic and international traffic. It will be able to handle the increasing number of wide-bodied aircraft using Aldergrove. The temporary huts at the terminal which are used mainly for searching passengers as a security measure will be replaced with modern security facilities.

Mr. Goodhart says his decision to approve developments under the present very stringent financial circumstances was a sign that the Government recognised Aldergrove's vital position in Northern Ireland. It could make a significant contribution to the future economic growth of the province.

● Northern Ireland Airports yesterday reported pre-tax profits for 1978-79 of £404,877 as against £26,893 for the previous year. The director said the profit increase, while gratifying, had to be measured against the future capital requirements. Although the redevelopment would receive grants the company would still have to provide £4m towards it.

Navy may lay up older ships because of manning troubles

BY MICHAEL DONNE, DEFENCE CORRESPONDENT

THE ROYAL NAVY may have to lay up some of its older ships, such as Tribal Class frigates, because of a shortage of skilled manpower.

The Ministry of Defence said yesterday that it was studying manpower problems in the Navy arising from the loss of skilled personnel in recent years through dissatisfaction with pay levels.

These were improved recently.

when the Government raised pay by 32 per cent to full comparability with civilian life and promised to maintain comparability in future.

But it is stressed in the Navy that it will take time for the effects of the pay rise to work through and for the service to recruit and train skilled sailors and shore-based personnel it needs.

In the meantime the man-

power shortage, especially of officers of all skills and mechanics, artificers, and leading seamen, will remain acute.

Suggestions that the shortage of skilled manpower may lead to laying-up temporarily such vessels as the guided missile destroyers Kent and London and the helicopter cruiser Blake were not confirmed in Whitehall yesterday.

power shortage, especially of officers of all skills and mechanics, artificers, and leading seamen, will remain acute.

Marquess sells books to pay Longleat bills

THE MARQUESS of Bath was at Sotheby's in London yesterday to watch duplicate books from his library being sold to help pay wages and maintain Longleat House, Wiltshire. The sale realised £322,865, or about £32,000 above estimate. Quatich gave the highest

SALEROOM

BY FAMELA JUDGE

price—£34,000 against the top estimate of £25,000—for a copy of the first edition of Redoute and Thorey's Les roses, published in Paris between 1815 and 1824. Burgess bought a similar work, Les Liliacées, for £28,000. John Gould's The Birds of Europe in five volumes went to Libress, Stockholm, for £17,000 and K. Bosch, Switzerland, was successful at £14,000 for François Levaillant's Histoire naturelle des perroquets.

Icons at the same house fetched £137,130. A Greek tripod—there is a similar example in the Benaki Museum, Athens—went for £5,200 and a very large icon from the estate of Torsten Tegner depicting the miracle of Flor and Lavr was bought by the National Museum, Stockholm, for £8,200.

English and Welsh porcelain sold well at Christie's. A Springall giving £3,500 for a Ridgways blue-ground part 'sert' service and £3,400 for a similar Spode lot; both prices were well above estimates. A sale made £57,513. A silver at Christie's, South Kensington totalled £38,260.

● The Grosvenor House Antiques Fair, which was cancelled last week because of a union picket line, is now on at the hotel, may emerge in a modified form. Somerset House in Novem Antony Thorneycroft writes, George Levy, chairman of fair, has written to the Department of the Environment for the fine rooms at Somerset House to be made available.

The cancellation of the will cost the 80 British antiques about £20m in turn. Antiques worth £40m have been on display and 30,000 visitors, many from overseas, would, on past experience, have bought half the stock. The fair will also draw to the sponsors, the House of Lords, which has a vestment of more than £25k at risk.

Hard line on safe furniture

Financial Times Reporter

TOUGH SAFETY requirements are contained in draft regulations covering the fire hazards of upholstered furniture published by the Government yesterday.

Mrs. Sally Oppenheim, Consumer Affairs Minister, has asked trade and professional associations and others to comment on the proposed regulations, which will be introduced under the 1978 Consumer Safety Act.

The regulations will require all unholstered furniture to be resistant to smokers' materials. During an interim period before the regulations become fully effective furniture that does not meet the safety requirements will have to carry a warning label. The timing of the introduction of the regulations will be decided in the light of comments on the proposed requirements.

Raybeck to sell and lease back half Bournes site for £17m

BY TIM DICKSON

RAYBECK, the fashion retailer and manufacturer which last September paid £11.3m in an agreed takeover of Bournes and Hollingsworth, is making arrangements to sell and lease back half the Oxford Street site for about 17m.

The company originally bought only the 99-year lease of the Bournes and Hollingsworth site but it subsequently paid a further £750,000 for the freehold interest.

The buyer of the 50 per cent

freehold stake is understood to be a leading Scottish life assurance company which will receive about £900,000 a year under the proposed deal.

Mr. H. Davies, joint managing director, explained yesterday that Raybeck was anxious to retain a half-share in the freehold of the island site. "We want to participate in any redevelopment which might take place in future. That part of Oxford Street is now beginning to hum and the way property

values are going at the moment the site may one day be priceless."

He said there were no immediate plans to spend the proceeds, which would be placed in the money market. "We will probably remain quite cash orientated for a period."

As well as changing the name of the store to Bournes, Raybeck has recently been granting concessions to specialist retailers, including W. H. Smith, to run various departments

Bid to save bacon factory

BY OUR SCOTTISH CORRESPONDENT

LORD MANSFIELD, Minister of State at the Scottish Office, is to meet Unilever tomorrow to discuss ways of keeping open the company's Lawsons of Dyce subsidiary, where 600 jobs are at risk. The factory, near Aberdeen, cures bacon and processes other meat products.

Lord Mansfield said yesterday that the Government was doing all it could to save the jobs and provide a continued outlet for pig producers in North East Scotland. He had put a number of suggestions to Unilever, which it was now considering.

Britain could produce bacon more cheaply than either Holland or Denmark, but our prices were kept artificially high by the level of the Green Pound, he said; and European Monetary Compensation Amounts provided unfair subsidies for foreign producers.

FINANCIAL TIMES SURVEY

Tuesday June 12 1979

GOLD

Gold, the most ancient manifest symbol of wealth, has begun another chapter in its distinguished history. Its enduring quality, which has enabled it to survive many modern economic philosophies, has managed to reassert itself in a number of ways which this survey discusses.

Renewed role on world stage

By William Hall

OVER THE past 18 months there have been two distinct phases in the fortunes of the gold price. During the first ten months of last year the price rose by nearly 50 per cent but this was very much a reflection of the growing lack of confidence in the dollar. In Swiss franc terms the price hardly budged.

However, the second, and more significant, phase began following President Carter's dollar support package of November 1 1978. After an initial sharp drop the gold price started to rise substantially in terms of all major currencies. By early June the price had risen by 15 per cent in dollar terms from the end-October levels and in terms of Swiss francs and Deutsche Marks it had risen by 35 per cent and 27 per cent respectively.

The strength of the rise in the gold price is surprising on a number of counts. First, it took place during a period of rising official sales — the highest, in fact, since the termination of the Gold Pool in 1968. The U.S. sold 128 tons last year—equal to 18 per cent of South African pro-

duction. So far this year the U.S. has sold another 210 tonnes and once this month's auctions are finished the International Monetary Fund (IMF) and the U.S. authorities will together have sold more gold in the first six months of 1979 than they did in the whole of 1978.

The second slightly surprising element was the sharp rise in private market absorption. According to Consolidated Gold Fields review, Gold 1979, the private market absorbed \$10.8bn in 1978—an increase of 38 per cent on the previous year. Much of this increase was channelled into kruggerands which accounted for over a quarter of South Africa's gold production in 1978.

Resilience

The final, rather surprising, piece in the gold puzzle was the resiliency of fabrication demand in the face of sharply higher prices. For the second year running carat jewellery alone, according to Gold 1979, took more than the entire free world gold production.

With the benefit of hindsight it is possible to rationalise the recent behaviour of the gold price and the strength of demand, although a year ago, when the price was hovering around the \$180 per oz mark and U.S. auctions had just begun, few would have thought that the price would rise by another \$100 or so.

The two bouts of currency unrest in early 1973 and then in the autumn were, according to the Bank for International Settlements, as bad as the turmoil surrounding the final collapse of the Bretton Woods system of fixed exchange rates in early 1973. Undoubtedly this

ferment had a powerful bearing on the course of the gold price last year.

But once the dollar started to recover late last year other factors took over and helped push the gold price to new peaks. The revolution in Iran and the Sino-Vietnamese conflict plus unease in Taiwan following the U.S. accord with Peking all fuelled the demand for gold. Meanwhile, the resurgence of inflation around the world only added to gold's latent appeal as a store of wealth.

In the U.S. inflation has been accelerating for over two years and recently the same has become evident in Britain, Italy, Germany and Switzerland. There has been a noticeable upturn in wholesale prices in most industrialised countries and the recent rise in commodity prices—especially oil—has only added to the inflationary uncertainties.

But while generalisations about inflation and currency unrest go a long way towards explaining why the gold price has behaved in the way it has recently, it is nonetheless important not to lose sight of the longer term trends now influencing the gold price.

There are two areas where gold is undergoing fundamental change. The first concerns the increasing awareness of gold among individuals in the rich countries of the world. Americans in particular are becoming more interested in gold. The second area of fundamental change concerns gold's monetary role. After the traumas of the early 1970s gold is once again creeping back on to the international monetary stage.

Taking the private ownership of gold first, the big change over the last decade is that the gold producers have started marketing their product more aggressively. Until 1968 they never had to worry since the central banks were always buyers of last resort. Following the U.S. initiative to demote gold, however, the producers, in particular the South Africans, realised that they had to take an interest in placing gold in firm hands. To this end the South African Chamber of Mines set up a marketing arm, Intergold, in 1968.

Intergold started to promote gold through heavy advertising campaigns, in places like France and Germany. The message was simple: Gold jewellery should be treated in much the same way as ladies' handbags, cosmetics and other accessories. A measure of the success of this strategy can be seen by the fact that in volume terms 10 per cent more carat jewellery (according to Consolidated Gold Fields) is sold now than in 1968—since when the gold price has risen eight-fold. And compared with the slump in the jewellery trade in 1974 nearly five times as much was sold last year.

In 1973 Intergold took over marketing the kruggerand and applied the same sophisticated marketing techniques. The result was that sales soared from 0.5m coins in 1972 to over 6m last year—of which more than half went into the U.S. The success of the kruggerand can be seen in the fact that last year it accounted for around 75 per cent of all coins sold world-wide and has attracted imitators such as the Canadian "gold maple leaf."

Intergold's aggressive marketing strategy has been paral-

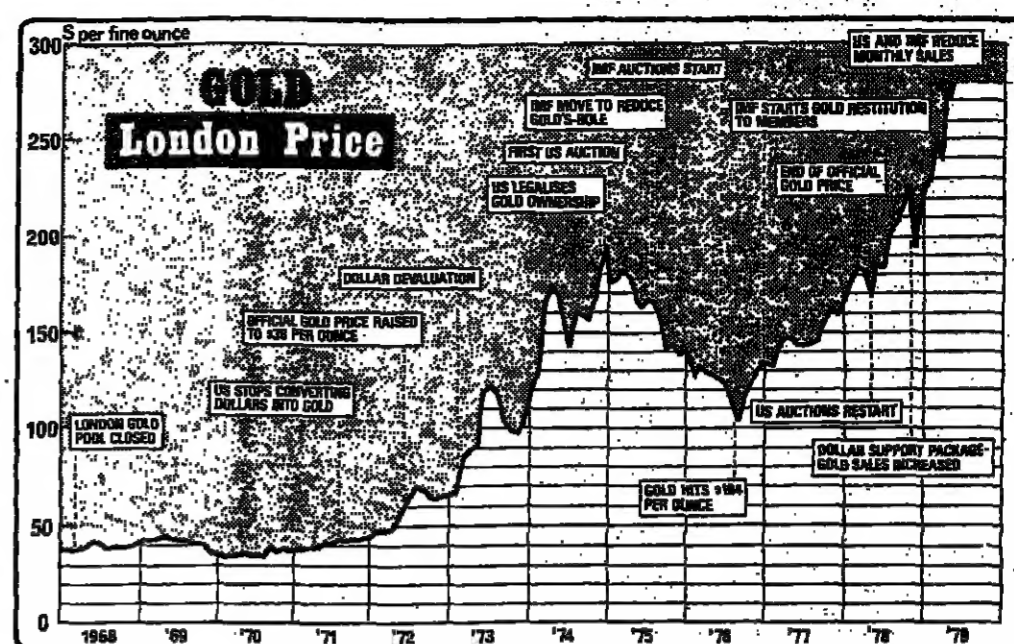
led in the U.S. by the phenomenal growth in the U.S. gold futures markets in Chicago and New York. This has also increased the public awareness of the yellow metal's qualities.

Sentiment

Americans were initially slow to take advantage of their new freedom to own gold but the combination of futures trading and the growth in kruggerand sales is changing sentiment. And now that big banks such as Citibank and First Chicago are beginning to market gold certificates, the yellow metal, far from being regarded as a rather zany investment best left to the mythical gnomes of Zurich, has become much more respectable in U.S. investors' eyes and is increasingly attracting the attention of institutional investors wanting to diversify out of Wall Street. A Bill before the Alaskan legislature, for example, seeks to allow the State pension funds to invest in gold bullion.

The other fundamental change affecting gold has been its recent renaissance as an acceptable component of international monetary reserves. During the early 1970s the U.S. Administration worked hard to rid the world monetary system of the influence of the yellow metal and for a time it looked as if it was winning.

Immediately after the legislation permitting gold ownership by Americans, the U.S. Treasury announced that it would start auctioning gold. At roughly the same time the IMF also began selling off 25m ozs over a four year period and restitute another 25m to its members. This had a severe impact on the price and over the next 18



months it fell from nearly \$200 an ounce to just over \$100. But that proved the turning point and since then the gold market, with occasional lulls, has proved capable of digesting the regular official supplies as well as the Russian supplies of 400 tonnes or so a year. Indeed, without the Russian or IMF sales there would not have been enough gold to go round.

Over the last couple of years the major industrialised countries have been quietly revaluing their gold reserves and gold has been allotted a role in the European Monetary System. Most central banks have not been adding to their gold holdings although they are now legally permitted to do so. But on the other hand they have

not been selling gold. Herein lies the rub for the U.S., which along with impoverished Portugal is the only country of note still selling gold.

Its crusade to rid the world monetary system of the yellow metal is no longer an obvious winner. Twenty-five years ago, when it had close to 20,000 tonnes of the stuff and roughly five times as much as the Continental Europeans put together, it could have done whatever it wanted about gold. Now its gold holdings have fallen to 8,500 tonnes or so and with the Europeans owning nearly twice as much, the U.S. has far less clout than it had.

The U.S. decision to reduce monthly gold sales earlier this year, because the dollar had

recovered, is symptomatic of its indecision about gold. If it had really been intent on reducing gold's role, it would have continued selling and knocked the price down. But now that Americans are becoming more aware of gold there is a limit to how far even the U.S. authorities can go in squandering their own holdings.

Finally, there is the question of what happens when the current programme of IMF sales comes to an end next year. Unless the IMF decides to sell its remaining gold, which seems unlikely, roughly 200 tonnes per annum of new supply will have been removed from the market. The U.S. seems the only country (apart from Russia) that might fill the vacuum.

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Bigger mine output in the offing

HISTORICALLY, the gold mining industry is in a state of high expansion but the growth of activity will not necessarily be apparent in production statistics for some time. Current estimates indicate that world mine production, excluding that of the Soviet Union, is likely to climb to only 1,000 tonnes this year from 968 tonnes in 1978.

There is in fact a great deal of catching up to be done. Between 1973 and 1975 annual production slipped from 1,113 tonnes to 856 tonnes and since 1976 has stabilised at or just under 970 tonnes. One of the main reasons for this has been the decline in South African production, which around 1970 was 1,000 tonnes a year.

This decline was checked last year when output rose to 706.4 tonnes. But what happens in South Africa is the key to the world's new supplies. South Africa has consistently supplied early three-quarters of international new production.

The small scale of most of the mines outside South Africa means that their expansion has a best a marginal impact. In any case, gold from mines outside South Africa frequently comes as a by-product of other mineral output and its availability is therefore influenced by factors outside the movements of the international bullion market.

The small producers are, however, to adjust their operations more flexibly to the shifts of the gold price than the large South African mines. In recent months there has been a wave of announcements from Canadian companies outlining increases in production or the commissioning of feasibility studies on projects which at lower prices are manifestly uneconomic.

Consistent of the advantages relatively small development has and a quick cash flow, Consolidated Gold Fields has brought a small mine in the Cadillac area of Quebec to production and is working on a similar project in Mexico. As another example, Campbell Chibouga Mines of Quebec has celebrated production at its Anderson mine and has recently started extraction of a newly developed ore.

The situation has been similar elsewhere, even on the somewhat tarnished Goldenle in Western Australia, where expansion is in the air. But this response to the firmness of the bullion market, dating back roughly to

GOLD PRODUCTION (non-Communist countries—metric tonnes)					
	1978†	1977	1976	1975	1974
South Africa	706.4	700.0	713.4	713.4	758.6
Ghana	14.2	16.9	16.6	16.3	19.1
Other Africa	23.0	26.3	25.6	25.6	22.3
Canada	51.7	53.1	52.4	51.4	52.8
U.S.	30.2	34.2	32.6	32.7	35.0
Latin America	47.0	47.0	45.1	35.7	31.2
Philippines	19.1	17.4	18.6	15.6	16.7
Papua/New Guinea	23.5	22.8	19.8	19.0	20.7
Australia	20.7	19.4	15.5	16.4	16.0
Other Asia/Oceania	14.0	14.1	13.9	13.1	13.9
Europe	18.0	19.0	19.0	14.0	16.7
Total	968	970	969	956	1,003
South Africa per cent	73	72	74	75	76

† Provisional.
Source: U.S. Bureau of Mines and Union Corporation.

1975, is of a different quality from the developments in South Africa.

In the first place South African mine expansion is longer standing, going back to the time when gold was freed from its fixed international price. "The increased prospecting activity which came about in the early 1970s as a result of the increase in the price of gold is now bearing fruit not only in the establishment of new producers but also with the sinking of shafts to exploit further areas within existing mining leases," said Mr. J. Ogilvie Thompson, chairman of Anglo American Gold Investment, the shareholding arm of Anglo American Corporation of South Africa, the world's biggest producer.

Grandeur

Secondly, the South African expansion is conceived on a much grander and more expensive scale than elsewhere. Four mines are being concurrently developed. The first gold was poured at Elandsrand, an Anglo American unit, in December last year, over two years ahead of schedule. The pre-production costs were R185m (£104.5m). Next door to Elandsrand, the Deelkraal mine is costing the Gold Fields group R150m and trial milling should start in the last quarter of this year. Both of these mines are on the Far West Rand. In the Orange Free State, Union Corporation and Selection Trust are spending R78m on the Unisel mine, which is scheduled to reach full production in November. Also in the Orange Free State, Union Corporation

has started development work on the Beisa uranium-gold operation and expects to spend R200m before production starts in 1982.

All of these operations are based on painstaking and expensive exploration going back several years. In a similar way Anglo American in 1973 started examining the possibility of treating the waste dumps of old mines surrounding Johannesburg. Just over a year ago the first production from a new plant designed to extract gold, uranium and sulphuric acid became available. Total cost of the project is put at R145m.

Expenditure, either made or committed, on these projects is thus R751m (£429.5m). At the same time individual mines are also expanding. But the effect, in terms of the whole South African output, is not marked. Mr. Ogilvie Thompson foresees 1979 production rising to 720 tonnes of gold and then moving gradually to 750 tonnes. But even that figure is still just three-quarters of the total output achieved in 1970.

There are two main reasons for this: apparently sluggish growth in output. The first is that although new mines are coming on stream, older ones are ceasing production. Closure over the next few years of some of the older mines such as Marieval and Venterspost, which are presently producing about nine tonnes of gold annually and which have already given statutory notice of closure will reduce total gold output.

The second reason is that even in the large-scale operations with a life expectancy of up to 25 years, it is becoming

increasingly difficult to win the gold. This point was made forcibly by the chairman of the Anglo American mines in the Orange Free State—the mines from this area, incidentally, provide about 30 per cent of South African production.

"There is a clearly established trend in the industry towards mining ore which was previously unpayable and supplementing the underground ore with material which, in the days when extraction techniques were less highly developed, was once put aside as waste."

Since 1972, noted Mr. D. A. Etheredge, the chairman of Anglo American's gold and uranium division, "the tonnage mined from remnants in our mines has steadily increased to the point where, at some of the older shafts, over half the tonnage is won from areas previously mined. . . . With operations moving progressively further from the shaft, travelling times for both men and materials are continually increasing and give rise to a decrease in available time at the work face. The effective use of manpower is an on-going problem."

Speed

Such technical difficulties have become increasingly apparent as costs have risen. Although the speed of the rise was checked in 1978 at 13.7 per cent, it followed a year when the increase was 23.7 per cent. This has not only been a question of more expensive fuel and material costs, but wage and salary charges as well.

Labour is taking an increasingly larger share of the costs for each tonne of ore mined, but productivity has remained stagnant. This is partly because of the introduction of the 11-shift fortnight, but also reflects the difficulties of mechanisation and the rigidity of the labour structure. The colour bar in the mines extends both to jobs and the payments for them. In a broad sense, the Blacks remain labourers while the Whites are miners, despite the attempts in recent years to train and reward a greater number of Blacks for skilled jobs.

These factors all give the South African mining industry a less healthy base than the tide of dividends on the crest of the high bullion price would suggest. Given the present structure and technical shortcomings of the industry, what is most needed for an appreciably higher output is a new gold field—the dream of every Johannesburg boardroom.

Paul Cheeseright

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Industrial demand holding firm

THE face of it, the industrial demand for gold should have sagged some months ago in reaction to the repeated rises in the bullion price on the international market. Yet demand has remained remarkably firm in 1978 the amount of gold used in jewellery manufacture, industry and electronics increased for the fourth successive year.

But the puzzle remains. There is not presumably come a time when the bullion price is the dominant factor in decisions on purchases for manufacturing. When the international price rose throughout 1974 industrial use of gold was ruled.

There is no simple relationship between consumer demand and price changes, as was made clear in Gold 1979, the authoritative study of the industry recently published by Consolidated Gold Fields. "Statistics indicate that at other prices purchases of gold for jewellery and industrial uses did not decline, but the effects of depending upon particular market groupings and, still more so, the price sensitivity of the market, are not stable over time. So, the limited evidence available suggests strongly that price effects are at least as important as price; certainly is true in industrial uses."

ense

The question is not simply academic because by far the greater amount of gold placed on the market is used for industrial purposes. Excluding official in manufacture, industrial use of gold in 1978 accounted for 244 tonnes of the supplies of 741 tonnes made available to the market. In the event of a sudden and sharp diminution of demand, the effect on the international price could be marked. Indeed, gold investment as such probably only makes sense if the industrial demand holds up. Significantly, a survey of

jewellery manufacturers in the U.S. carried out by Gold Fields in the sample 60 per cent would decrease their use of gold if the price went higher than \$260 an ounce. In fact, the price went through \$260 in the middle of May, and thus shows a very sharp rise on the average 1978 price of \$193.50.

At present, however, the jewellery market seems very steady. In the U.S., which in recent years has exhibited roughly the same consumption patterns as most other industrialised nations—a perceptible but undramatic rise in gold use—the British Jewellery and Giftware Federation has noted improved sales. This is partly the result of extensive advertising.

So far it looks as if the basic factors behind the strength in demand last year, as noted in Gold 1979, still largely hold good. "First there was a general increase in world national product in 1978 which was sufficient to offset inflation and leave a margin for real disposable income. Secondly, gold prices expressed in most currencies other than the dollar showed much less pronounced increases; indeed, in terms of some hard currencies gold prices registered a decline at different times during the year."

Thirdly, some gold jewellery purchases are motivated by the perceived investment attraction of gold; this is particularly true in countries where high-carat products are favoured. Finally, promotional efforts by individual manufacturers and retailers as well as by organised groups have had an undoubted positive influence on jewellery sales.

But changes are nevertheless starting to take place which could render the application of this analysis impossible for 1979 and at the same time make real the consumer resistance which the U.S. companies thought would come about with a gold price over \$260 an ounce.

The predicted flattening out of the U.S. economy, added to tighter credit policies in the industrialised nations following the latest rounds of oil price increases, could affect the way personal income is disposed. Moreover, the greater stability of the dollar in recent months has meant that the gold price itself is increasing in terms of currencies like the yen and the D-mark, whereas last year it was static.

Gold Fields is predicting that fabrication demand this year will remain roughly the same as in 1978, when jewellery accounted for 1,001 tonnes, electronics 85 tonnes, dentistry 87 tonnes, other industrial and decorative uses 75 tonnes, and medals, medallions and fake coins 46 tonnes.

Highest

With the exception of the medals and medallions sector, all the figures are the highest for four years, although jewellery demand was less than in 1970 and 1971 and electronics demand has not yet approached the 127 tonnes recorded in 1973.

Jewellery usage would have been higher but for the events in Iran which caused a drop in consumption to an estimated 30 tonnes last year from 64 tonnes in 1977. It seems unlikely that usage there will be much higher this year, given the continued instability. But the amount of gold used in Iran is in any case insignificant compared with the tonnage absorbed in Italy, which is by far the largest single national user in the world. Last year Italy used 249.4 tonnes, of which 235 tonnes went into jewellery. The next largest user was the U.S. with an offset for fabrication of 178.3 tonnes.

The prospects for maintaining gold demand this year therefore depend to an appreciable extent on Italy's ability to maintain its penetration of the export markets in Europe and North America, and in the developing countries for gold chain.

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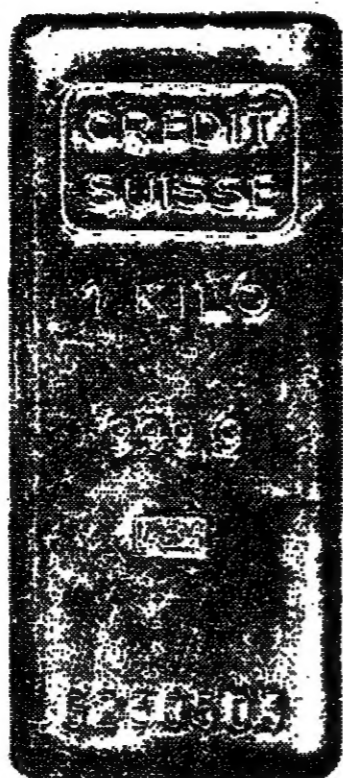
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GOLD III

Young Investor v. Old in share debate

LEADING GOLD MINES

(Operating costs per oz of gold \$)

East Driefontein	50	Kinross	114	Leslie	156
West Driefontein	56	*Blyvoor	123	Welkom	167
Winkelhaak	54	*Vaal Reefs	127	Western Areas	175
Kloof	84	*Hartebeest	129	*Siltfontein	175
St. Helena	94	Libanon	130	Venterspost	222
Western Deep	95	*Randfontein	130	Durban Deep	230
Western Holdings	98	*President Steyn	140	East Rand Property	252
Free State Geduld	98	Marievale	141	*Free State Sasiplass	254
*President Brand	105	Grootvlei	144	Lorraine	280
Bracken	106	Doornfontein	146	*West Rand Consolidated	600
*Southvaal	113	*Buffelsfontein	153		

*Has important uranium income.

of other people's wagers on animals which might be better employed in pulling carts or biting burglars, made a curious but telling comment.

"Dollar premium? Don't understand the damn thing. Never did. That's why I never touch foreign shares." His forceful statement drew a snigger from two other guests who had earlier been bored by the bookmaker's long explanation of the mathematical mysteries of "Yankies", "cross-doubles", "accumulators" and other esoteric wagers.

The interruption was ignored by the Young Investor who had a serious turn of mind. He also had consumed far less of the port than his colleagues and, much to the annoyance of the Old Investor, had failed to pass the bottle on its clock-wise way as tradition and good-fellowship demand.

Understand

"The dollar premium is simple enough to understand if you take the S.E. List premium figure which is shown under 'Americans' in the FT back page share price tables. At the moment it is around 25 per cent so if you bought a share which would cost an overseas investor (who does not have to pay the premium) a price equal to 100p, you would have to pay 125p."

Over the years the premium has been as high as 90 per cent and as low as under 10 per cent, so you see how much you could lose by buying when the premium is high and selling at a time when it is low."

Another guest, who by now had managed to wrest the port

bottle from this callow youth, remarked: "Conversely, you could have done well by buying low and selling high. After all, you did say that the premium fluctuates."

"Yes," grudgingly admitted the Young Investor, "but it is generally agreed that the premium is to be abolished sooner or later. This is required under the Treaty of Rome and would fit in with the Conservative Party's stated intention to relax exchange controls. Seems to me," he added, "that a buyer is more likely to lose than gain."

"If you buy golds, you would be better off with one of the few UK-registered companies, notably Consolidated Gold Fields which gets about half its profits from gold mining via the Gold Fields of South Africa subsidiary. That way you avoid the premium and have the safety element of UK assets as well."

He had gone a little too far for the Old Investor. The table grew quiet as the latter, who had made a great deal of money over the years, drew upon his cigar and prepared to speak.

"I've nothing against Gold Fields," he began, "but I would not buy the shares as a gold investment while the company is still subject to UK dividend limitation. It cannot pass on the full benefit of its rising gold mining income on the one hand while, on the other, its shares would fall with the rest if there should be a political upheaval in South Africa."

"Better to buy GFSA or Anglo American Gold Investment. Such holding companies offer the lowest risk—and dividend yield, of course—in South

African gold mining investment. They cannot cover political risks but their expert management maintains a balance in the spread of individual mine holdings. For example, it switches out of mines which may move on the down-path, owing to shortening life or falling ore grade, into the more soundly based operations.

"As far as the individual mines are concerned, an investor must make these decisions for himself. Again, the risk element is balanced by the return offered. A top-class producer with a low break-even cost like West Driefontein, for example, offers a smaller prospect of capital gain than a marginal such as Venterspost which needs a gold price of about \$222 per ounce to break even."

"Clearly, any rise above \$222 will have greater impact on the earnings of the latter than of the former (which can be operated profitably at little more than \$56 per ounce) especially when you bear in mind the way in which South Africa's sliding-scale tax formula bears heavily on profits of the top earnings mines."

"It's true what you say about the relatively poor performance of the gold mines index with its 18.1 per cent appreciation from 1974 to 1978. But within that period you could have done much better. For instance, the index rose from under 100 in February, 1977 to over 200 in August 1978."

"And," he added with a severe glance at the Young Investor who was finding his chair less than comfortable, "so far this year, the index has risen 42 per cent compared with a 23

per cent appreciation in the gold price."

But his eyes twinkled and, more kindly, he said: "You see a gold share investor must always be prepared to job in and out of the market; he cannot just put the shares away and forget them. As for the political risk, this must be accepted in the same way that other forms of risk are taken into account in all areas of investment."

"At the moment gold share prices are not overvalued in relation to the risk element. Their dividend yields are moving well into the double-figure class, progress is being made in holding mine cost inflation down to reasonable levels and company earnings and dividends are still rising in the wake of the buoyant gold price."

"Rightly, or wrongly, the political discount in share prices is growing less. As for the dollar premium uncertainty, buyers are prepared to accept this in a rising market. To sell now and wait for its eventual removal could still mean facing higher share prices later on and losing good dividend income in the meantime."

Timing

"To sum up," said the Old Investor with a surreptitious glance at his gold half-burner, "the secret of successful investment is timing. That means being prepared to take a profit and to leave some for the other man and it also means being brave enough to cut a loss even if it follows a short-lived paper profit. Don't try to outsmart the rest of the field because nobody ever got in at the bottom and out at the top."

His listeners began to fiddle with paper and pens. "Well, give us a tip then," cried the bookmaker. By now the Old Investor was making his way to the door, but he paused and said: "If you've decided to take a profit don't instruct your broker to sell at the approaching round figure, say 25. Others probably have the same idea and you might never make it."

"But what of the shares?" they cried in unison.

"Oh, don't buy too many," replied the Old Investor as the door closed on a final puff of cigar smoke.

Kenneth Marston
Mining Editor



Dealing centres circle globe

TO A CASUAL OBSERVER nothing much seems to have changed in the international gold market over the past decade. The rather quaint twice daily gold "fixing" continues unchanged in London, while over in Zurich the big three Swiss banks (Swiss Bank Corporation, UBS, and Credit Suisse), still seem to peddle as much gold as ever. In faraway places like Kampuchea and Dubai, Johnson Matthey gold bars—the American Express cards of the gold trade—seem as popular as ever. Outwardly at least the London and Zurich gold markets still seem to behave like exclusive clubs from which outsiders have been barred.

But this impression of exclusivity is no more than a facade. It might have been the case ten years ago but since then there have been such major upheavals in gold dealing patterns that barriers have fallen and both London and Zurich have had to fight hard to meet the challenges.

Since the late 1960s the world gold market has been faced with three major changes, each of which has had a far-reaching

influence on the structure of the market. The first upheaval was the closure of the London gold pool in March, 1963. The second was the fragmentation and growing internationalisation of the market dating from the early 1970s; and the third upheaval was the phenomenal success of futures trading.

Filtering

The impact of these changes is still filtering through the system but it is already having an effect in a number of ways. The most obvious is in the trading patterns. Ten years ago dealing was to a large extent dictated by European standards. When London and Zurich went home, gold dealing died down. A London dealer could afford to go to sleep safe in the knowledge that even if he was a "bit long" in gold, when he got to work the next morning the price would be much the same as the night before.

The growth of peripheral trading centres has meant, however, that prices move

about quite markedly while London and Zurich are closed. As one London dealer recently bemoaned: "The gold price can be \$10 adrift before you get off the train at Surbiton!" Gone are the days when a dealer could sleep easy in the knowledge that the price was set here in Europe.

At varying times of the year Hong Kong and New York set the prices and London and Zurich have no option but to follow. This means that whereas the London bullion houses used to be very much "position takers" in the old days, they are now much more trading operations, dealing at clients' behests.

Gold trading has become a round-the-clock operation. When London closes N. M. Rothschild will hand over to N.M.R. Metals Inc. in New York which will in turn hand over to W. M. Rothschild and Sons (Hong Kong) Ltd. when New York closes. Apart from a two hour gap between New York closing and Hong Kong opening, gold trading is now very much a 24-hour operation.

CONTINUED ON NEXT PAGE

▲ABOVE

One of the twice daily gold price "fixing" sessions at merchant bankers and bullion dealers N. M. Rothschild in London. This traditional practice continues, although Rothschilds nowadays will be dealing in its other offices round the world, as part of today's international pattern.

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GOLD IV

A monetary renaissance

OLD HAS crept back on to the world monetary stage as a result of the weakening of the international reserve role of the dollar over the past 18 months. The aim of the U.S. authorities—in the aftermath of President Nixon's decision to end the convertibility of the dollar into gold in 1971—to put the world on to a single dollar standard has patently failed—only with the compliance of an American Treasury itself.

Since the announcement of President Carter's programme to support the dollar in November has been publicly accepting a reduced international role for its currency.

Instead, what is emerging is a multi-component international reserve system in which gold, alongside the dollar, the "hard" currencies of West Germany, Switzerland and Japan, and the "soft" currencies of the "oil" states, are playing an increasingly important role. Both as a store of value in central banks' reserves and as a means of settlement of international transactions.

Even before the crisis of confidence which hit the dollar in 1977-78, there had been signs of a reawakening of gold's monetary importance, notably its use as collateral for the re-balance of payments loans from the Federal Reserve to the central banks of Germany and the Netherlands. But metal has only really taken a new lease of life since the start of the dollar's severe decline in the autumn of 1977. Since then, the gold price has risen over 80 per cent in dollar terms, and, even more significant, this year has also seen strong gains in terms of hard currencies, against which it had previously been so stable.

Issues

Three major series of events in the past 18 months have led out as marking gold's monetary renaissance: the use of gold as collateral for the re-balance of payments loans from the Federal Reserve to the central banks of Germany and the Netherlands; the use of gold as collateral for the re-balance of payments loans from the Federal Reserve to the central banks of Germany and the Netherlands; and perhaps most impor-

tant of all, the decision by the EEC to give gold a central role in the pool of monetary reserves backing up the European Monetary System.

The sharp fall of the dollar last year, eventually prompting a turn-around in the U.S. policy of "benign neglect" to one of active defence of its currency, has resulted in a curious ambivalence surrounding the official American position on gold.

The U.S. is still generally regarded as principal opponent of gold monetisation. It was the main force behind the moves earlier in the decade to strip the metal of its monetary importance and relegate it to a position where it would be treated just like any other commodity. Official moves in this direction were enshrined in the decision by the IMF in 1976 to abolish the official gold price and allow central banks to buy and sell in the open market—something they have been free to do since April 1978, when the change in the IMF's articles came into force.

As part of the demonetisation measures, the U.S. Treasury held two gold auctions in 1976 to help dampen the rising price of the metal; and the IMF in 1976 started its regular programme of gold sales under which it is gradually returning one-sixth of its gold stock to member countries and selling off another sixth to aid developing nations.

When in April 1978 the Carter Administration announced that it was restarting gold sales from its reserves—at an initial rate of 300,000 oz a month—to help protect the dollar, the authorities claimed that this too was in the interests of gradual demonetisation. But in November last year, when President Carter announced that the Treasury was increasing gold sales to 1.5m oz a month as part of a package of sweeping moves to arrest the by then seemingly unstoppable decline of the dollar, it became clear that U.S. policy on gold had in fact undergone an important psychological U-turn.

The U.S. decision to sell large amounts of gold—or to "realise its reserves," as European central bankers had been urging the Administration to do for months—was motivated primarily not by the desire to undermine the gold price but rather to take advantage of it

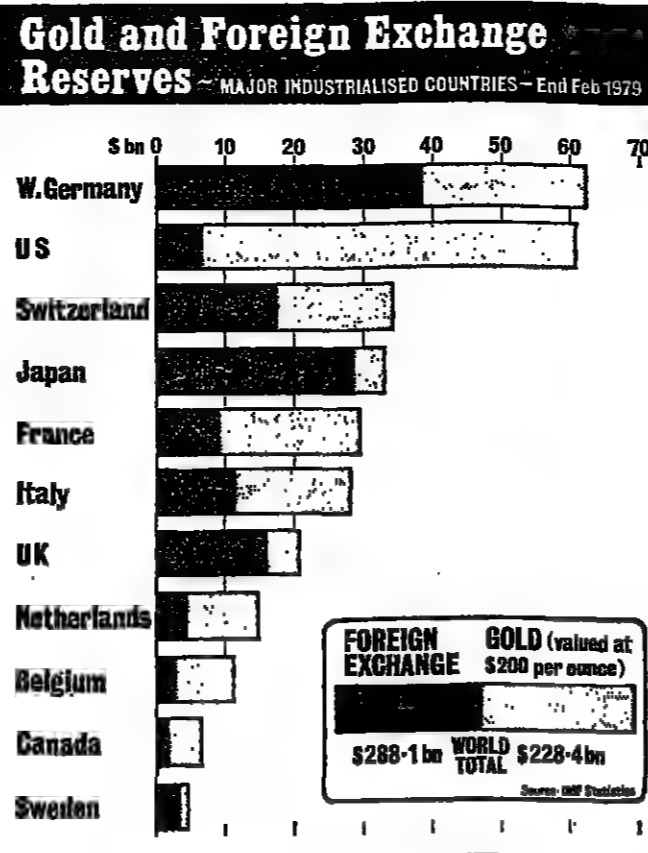
to finance the payments deficit. More important, the Administration's recourse to its gold reserves was meant to be viewed both by other central banks and by operators in the foreign exchange market as a gesture of overriding monetary significance—underlining the U.S. Government's commitment to a stable dollar—which went far beyond the only moderate direct help which the mechanics of the operation actually gave to financing the deficit. The implications were quite obviously greater than if the U.S. had decided, say, to sell off stockpiles of tin or cotton.

Component

The package of November measures also contained another component which had long been called for by monetary authorities in Europe and had important implications for gold—the move by the U.S. Treasury to borrow foreign currencies on the international capital markets and from the IMF in order to fund its intervention support of the dollar. This decision, under which the U.S. undertook to build up for the first time over a significant stock of foreign currencies in its reserves, formalised the growing role as official reserve assets of the non-dollar currencies, particularly the Deutsche Mark, which had been in evidence for at least the past five years.

Statements by American monetary officials over the past few months have admitted that the November package contained implicit acceptance by the U.S. of a reduced international role for the dollar—giving an important boost to the overall growth of a multiple reserve currency system of which the increasing monetary importance of gold has been just one manifestation.

The effect of the November measures on the gold price was to bring about a \$30 slide within the space of three days—something which could be said to give the gold sales move a residual amount of demonetisation justification. But since then the price has risen strongly again in spite of the American success in strengthening the dollar. If U.S. gold policy had been still primarily geared to restricting the rise in the world price, it would have continued with the level of gold sales announced in November.



But in fact in view of the dollar's stability and the improvement in the current account position the U.S. in April decided to cut by half, back to 750,000 oz, the amount of gold on offer at the monthly auctions. The move, which led to a rise of \$40 in the gold price within a month, confirmed as eloquently as anything that has happened so far that the U.S. now regards gold auctions primarily as a monetary regulator to influence the value of the dollar rather than as a prime weapon of demonetisation.

Quite apart from this apparent shift in thinking by the U.S. authorities, weakening world confidence in the dollar and its fall against the hard currencies over the past two years have also led to important changes in the attitudes of central banks. France, in direct contrast to the Americans, had always been a leading proponent of the monetary role of gold. Other countries like Ger-

many, the second largest holder of gold in the West after the U.S., had adopted a more neutral view of the metal. Now there are signs that in Europe the French position is gaining the upper hand.

The most direct illustration of this has been the growing number of major central banks to follow the lead taken by France in January 1978 in revaluing their gold holdings from the old official price of \$42.22 or SDR 35 an ounce. Up to the end of 1977 only Italy out of the major gold-holding countries had joined the move to revalue gold reserves. But since then Germany, the Netherlands, Britain and Austria, as well as South Africa, have brought their valuation procedures more into line with the market, while the Swiss National Bank has also upgraded significantly the contribution gold makes to its balance sheet.

The main impetus for these moves has been the decline of the dollar. Particularly last year this led to large depreciation requirements for the important group of Continental central banks which hold the vast majority of their foreign currency reserves in dollars but value them in terms of their own—and rapidly appreciating—currencies. Germany, Switzerland and Austria, whose currencies had appreciated most against the dollar, were hit hardest. The German Bundesbank has faced write-off needs of some DM 7bn each year for the last three years.

One of the few practical ways of helping to cover the book losses on their foreign exchange holdings last year was to realise part of the significant undervaluation of their gold reserves, which had been valued years before in terms of Deutsche Marks. Swiss francs or Austrian schillings per kilo at a level equal to the then official price.

Thus at the end of 1978 the Bundesbank revalued its holdings from an effective rate of DM 4,630 per kilo (\$62 per ounce) to DM 4,830 per kilo (\$67 per ounce), and the Austrian National Bank from Sch 27,600 per kilo (\$56 per ounce) to Sch 45,000 per kilo (\$99 per ounce).

Switzerland dropped the idea of a formal gold revaluation because of legal difficulties, and so kept unchanged the valuation rate of Swfr 4,598 per kilo (\$82 per ounce) set in 1971. Instead, it covered the depreciation requirement by drawing on extra reserves specially constituted to make up for the difference between the market price of its gold holdings and its valuation price—an elegant accounting device which in fact had the same effect on the balance sheet as a formal revaluation.

None of these three countries, or Holland, which revalued its holdings in mid 1978, brought their valuation as close to the market price as France, Italy or Britain, which revalued its reserves up to the market level less 25 per cent discount on March 31 this year. Nor, it can be argued, have the moves by any of these central banks led to any real increase in world reserves. Since the changes in the IMF articles, central banks have anyway been free to trade gold among themselves at

market-related prices (though none of the major ones has done this so far), regardless of the accounting base used to value the gold in their reserves.

None the less, the move towards market related valuation, especially by the Bundesbank, which had long resisted any change in its treatment of gold, is an important symbol of the reassessment of gold's role which has taken place. It seems highly unlikely that the move will lead to central bank agreement on a "floor price" for gold, as has been suggested by some market commentators.

But the point about the increased reserve importance of gold is borne out by some simple figures. At \$42.22 per ounce the gold reserves of the Group of Ten and Switzerland are worth \$35.1bn, or 25 per cent of their foreign exchange reserves; at a market-related level, say \$200, to give a suitably large discount, they are worth \$171.5bn or nearly 25 per cent more than the value of foreign exchange holdings.

The accounting changes represent just one aspect of the European change of heart about gold. The setting up of the European Monetary System (EMS), the product of a Franco-German initiative to protect European currencies from the worst excesses of gyrations in the dollar, has promoted gold to a central role as a means of settlement among European central banks.

Under the scheme, which formally got under way on March 13, central banks of the eight countries initially participating deposited with the European Monetary Cooperation Fund 20 per cent of their dollar and gold reserves in order to fund a first issue of European Currency Units. A stock of these currency composites is held by each central bank in order to finance intra-EEC settlements.

The important aspect as far as gold is concerned was the valuation procedure for the pooled reserves—the average market price over the six previous months or the market price of the penultimate working day, whichever is the lower (in order to avoid valuation above the prevailing market price). The technicalities of the procedure mark something of a triumph for France, the most gold-minded member of the

Community. Germany had initially held out for valuation at a discount of 25 per cent rather than at a level so closely related to the market. But the most important effect is that deployment of gold in this way to back the issue of ECUs considerably increases the mobilisable portion of EEC countries' monetary reserves.

Especially for countries like France, Belgium and the Netherlands, whose gold reserves are large in relation to their foreign exchange holdings, the mechanism allows EEC countries to use directly their gold reserves at market prices to pay intervention debts while at the same time sparing them the risk which this sort of transaction would normally entail of upsetting the price on the international market.

It has been one of the surprises of the world monetary scene that Germany, noted both for its neutral position on gold and for its opposition to mechanisms which inflate world liquidity, last year did not make greater efforts to tone down the French initiative to promote the use of gold in the EMS. Also contrary to expectation, has been the U.S. attitude towards the role of gold in the monetary system. Last summer Bonn Government officials were predicting that the gold issue could be a major stumbling block with the Americans, but up to now the U.S. has shown no sign of disapproval of the clear demonetisation moves being carried out by its European allies.

It is true that with the scheme still only in its infancy and with central banks' stocks of ECUs hardly touched up to now, gold so far has played no practical part in the running of the EMS. But especially if the French franc or the Italian lira comes under strain and the Bank of France or the Bank of Italy is forced to draw heavily on its gold-backed ECUs, then the way that the EMS has remonetised gold is likely to become transparently obvious. How the U.S. then reacts will provide a good pointer to whether the world at large really has come to terms with the monetary rebirth of the yellow metal.

David Marsh

Centres

CONTINUED FROM PREVIOUS PAGE

The growing internationalisation of the old business has meant that there is a bigger role to share and both London and Zurich bullion houses have undoubtedly benefited. But they have also found that they have to share the cake with many more people. The exclusivity of the London and Zurich gold markets does not extend to Hong Kong and New York, which have to pitch in with everyone else.

Of the two groups the London bullion houses have faced the greatest upheaval over the past decade. The closure of the London gold pool in 1968 was a very severe setback for London. The South Africans switched a large part of their gold shipments to Zurich and for a number of years London was left with the scraps of the international gold trade. Unlike

the Swiss, UK citizens are not allowed to own gold so the UK bullion houses had no home market to fall back on.

Given this adverse set of circumstances the London bullion houses appear to have survived surprisingly well. They have won back some of the South African gold trade although the Swiss are still believed to do the bulk of the business. Swiss Bank Corporation, for instance, recently revealed in an interview with the Wall Street Journal that it had sold 28m oz of gold in 1977—more than South Africa's entire output.

If anything, the Swiss banks did not make the most of the opportunity in 1968 when they had effectively cornered the marketing of the world's gold. For a short time they held all the trump cards and could have put the London market out of business but they failed to capitalise on their advantage and now the gold business has changed so much that even the Swiss banks are finding it hard to retain their grip.

From an early stage the London bullion houses have tended to be more international than the Swiss banks and this has helped them retain their international position. When the Hong Kong market opened up following the lifting of official restrictions on bullion imports in early 1974 the British bullion houses became involved fairly rapidly. N. M. Rothschild moved into the Colony first, followed by Mocatta and Sharp. Fixler, Johnson Matthey opened last year. Samuel Montagu is the only trader not represented directly although it has traditionally strong connections with the area.

Turnover

There are in fact two gold markets in Hong Kong. The Chinese market deals in tael bars and there is an additional international market which deals "loco-London." Last summer one participant estimated that turnover was running at between 300,000 oz and 400,000 oz per day. An added attraction of this market is that it is the only international bullion market open on Saturdays. Aside from Hong Kong, regional gold markets are also developing in Singapore and Sydney.

At roughly the same time as Hong Kong started to develop as a gold centre America legalised gold ownership and for a time there was a feeling that demand for physical gold in the U.S. would take off rapidly. Samuel Montagu, for example, went into a joint

venture with Handy and Harman and Merrill Lynch to market gold to private investors. But this was not particularly successful and has been wound down.

Since then the London dealers have concentrated on arbitraging physical gold with the New York and Chicago futures markets and only Mocatta Metals Corporation, an affiliate of Mocatta and Goldsmith, has carved out a big niche in the pure futures market. The others have generally opted to leave futures trading for clients to the big commission houses such as Merrill Lynch. To some extent the growth of the U.S. futures market has siphoned business away from the traditional bullion dealers. In particular, has attracted a lot of Far Eastern business.

Attracted

Investors that would traditionally have put money in gold during the recent currency crises have been attracted by the liquidity of the U.S. futures markets and it is arguable that some business will have been lost to London and Zurich as a result. The growth of the futures market has led, however, to a parallel growth of a "loco-London" market and rising futures activity leads to a greater need for warehouse stocks.

Both the London and Zurich markets are very much physical markets as opposed to the paper markets of New York and Chicago. The London and Zurich dealers argue that they are sticking to what they know best—physical gold. A lot of skill and expertise is needed to ship, refine and insure gold and Europe is very good at it. The Americans do not dispute this, and the big physical markets are likely to remain mainly controlled by London and Zurich.

The emphasis on physical trading has meant, however, that both Zurich and London have largely missed out on the boom in futures trading. Similarly the growth of gold certificates issued by U.S. banks such as Citibank and First Chicago is another area where they are lagging behind. Zurich and London have a tremendous tradition and position in the gold market but if it continues to change at its current pace their overall influence is likely to decline further over the long term.

William Hall

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GOLD V

Booming futures market



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THE METEORIC growth of the U.S. gold futures markets over the last three years has caught everyone by surprise. From being a rather esoteric market less than five years ago the prices struck on the U.S. gold futures markets now set the international pattern. London may still "fix" the price twice daily but dealers are always conscious of the need to keep a close eye on the New York and Chicago futures prices. They are the ones which now give the lead.

The statistics of the markets growth are quite awesome. Gold futures trading started immediately after the U.S. lifted the ban on private gold ownership at the end of 1974. In the first couple of years nothing much happened. Comex traded around 40,000 contracts per month of 100 oz each and the International Monetary Market (IMM) in Chicago 30,000 contracts.

Then all of a sudden gold futures trading took off. In early 1977 the combined monthly total of gold futures contracts traded on Comex and the IMM was still less than 100,000. By the end of the year the number had trebled to over 300,000 per month and by the end of last year the figures had once again more than trebled and volume was running at close to 1m contracts per month. To put this in perspective 1m gold futures contracts are the equivalent of 100m oz of physical gold. This is more than double the annual free world gold production.

In 1978 Comex and IMM together traded 6.55m contracts which would have resulted in over 20,000 tonnes changing hands if everyone took delivery. Of course, only about 2 per cent do take delivery—the rest close out their contracts beforehand. This is what makes the U.S. gold futures market so different from the traditional gold markets of London and Zurich. The latter are "physical" markets—unlike the U.S. markets which are still not completely clear but which are leading to major upheavals in gold dealing.

The members of the Zurich Gold Pool and the five London bullion houses may still dominate the market for physical gold but the big U.S. commission houses are becoming powerful forces in the fast growing futures markets to which many traditional gold investors are gravitating. Trading volume in the U.S. futures

markets probably now exceeds the volumes in all other gold markets combined, although no one is really sure since those involved in non-U.S. gold markets refuse to reveal the volume of business transacted. The success of the U.S. gold futures market is slightly baffling. True, the dollar crisis last year stimulated interest in gold futures but this is by no means the whole explanation. Clearly, there are a number of other reasons.

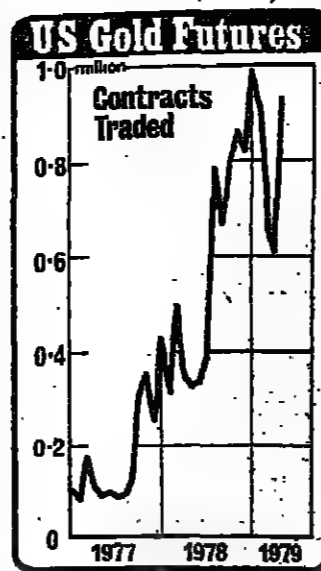
The first, which is often overlooked is that Americans are very good at marketing and both the Chicago and New York futures markets went out and sold themselves to an initially sceptical investment community. Aggressive advertising in America and European newspapers helped spread the word that gold futures were a rather useful tool.

Security

For anyone wanting exposure to the bullion market this was obviously true once the market started to take off. Traditionally, investors/speculators had bought physical gold and many actively assessing problems of security, assay fees, etc. Another alternative was to invest in South African gold shares. If the dollar looked shaky and Wall Street looked sick an investor could ring up his broker and buy 1,000 West Driests. This was easier than buying physical gold but still had its problems.

First, there was the political problem that most gold mines are based in South Africa. Secondly an investor has to also decide on such technical things as the life of the mine, ore grades and management capability—all of which affects the share value.

For an investor wanting a



ride on the bullion price gold futures hold a number of attractions. Unlike holding physical gold there is none of the problems of storing it and in addition one can buy it on small margins so that even the smallest investor who could not afford a 100 oz bar (\$27,500 at current prices) can get in on the action. Compared with gold share trading there are also obvious attractions, of which the most important was that investors did not have to bother about assessing individual shares—futures trading is a "pure" gold investment.

The gold futures market has fed on its own success so that no major investor can now afford to ignore it. It tends to be much more liquid than the physical markets which means that bigger deals can be transacted with less difficulty and more cheaply. Today, one finds everyone from the Russians to Italian jewellery makers operat-

ing in the U.S. futures markets. There are, however, basically two main types of operator.

The first, and far and away the most important, is the speculator. He takes a view on the price of gold in much the same way as he does about silver, platinum or the infamous pork bellies and acts accordingly. His only concern is with price movements. That is how he makes his money. But his involvement does provide the market with liquidity.

The second main users of the futures market are the "hedgers." This type of operator is concerned with using the market as either a marketing tool or a means of protection against adverse price movements. A producer, for example, that believes the gold price is going to fall before he markets his output will use the futures market to protect himself. Similarly, a fabricator that wants a steady stream of gold at stable prices for jewellery manufacture will also enter the futures market.

Other big users of the futures markets are the physical gold dealers. The Swiss banks and the London bullion houses actively arbitrage between the physical market and the futures market and use it to protect the value of their own metal stocks.

Apart from the gold futures markets in the U.S., similar markets have been established in Sydney and Singapore, and Hong Kong operates what is known as a "spot-futures" market—dealers can choose not to take delivery if they so wish. London offers forward delivery of gold—a type of futures contract—and one of two dealers offer gold options. There have even been suggestions that London might set up a formal futures market at some stage.

But not everyone is entirely happy about the phenomenal

U.S. FUTURES

(No. of contracts traded)	Intercontinental	Comex
1975	406,968	392,517
1976	340,521	479,362
1977	306,430	981,551
1978	2,812,270	2,742,378
Peak		
daily trade	78,225	67,934
(31/10/78)	(27/12/78)	
Open interest	75,942	162,519
(6/6/79)	(1/6/79)	

* Contract not at the time offset by opposite futures transactions. A good indicator of speculative activity.

growth of gold futures. The Swiss banks in particular argue that speculative moves in New York and Chicago make the price much more volatile. The ability to put up a small deposit/margin gives investors much more leverage, which can only make the price that much more sensitive to wild rumours.

After so long at the centre of gold trading, the Swiss banks naturally feel rather unhappy that their influence over the price is being undermined by other markets. But there is no doubt that the growth of futures trading has made the market that much more volatile.

In the old days London and Zurich were the price setters. Each morning the price was not much different from the previous afternoon's London fix. However, the growth of Hong Kong and New York means that prices can move quite markedly while London is closed.

William Hall

Coins in demand

THE LAW forbidding the import of gold coins into the U.K. has led to a decline in the number of coins in this country in recent years. The domestic pool cannot be legally increased, since only authorised dealers can import them, and then only for resale abroad.

Buying interest in the UK has been heavily directed towards the kruggerand, to the extent that the high premiums commanded by other coins make them of interest only to numismatists. Gold sovereigns form part of this group, and can be divided into New Sovereigns, carrying the present Queen's head, and Old Sovereigns, which are at present at something of a premium, particularly in the international market. The domestic premium of the Old Sovereign over the New is around £5, but the rise to £10 for international delivery underlying the greater demand abroad for the coin.

Other coins of numismatic interest include U.S. Eagles of \$20, \$10, and \$5 denomination. At present the \$20 coin, known as the Double Eagle, has a value of some \$450 compared with only \$300 at the beginning of the year. Over the same period one ounce of gold has appreciated from \$225 to \$275, making the American coin a particularly attractive investment.

Scarcity plays a major part in the sharp rise in value of numismatic coins, since the world will never be flooded with vast quantities of them, and in many cases no more can ever be produced. The Old Sovereign is an obvious example.

Barrier

Apart from these numismatic coins, there is another group which consists of gold bullion minted in the form of a coin. These coins are in no way scarce, except where there is a legal barrier against their increase in number. The classic example is the South African kruggerand, which is simply one ounce of pure gold.

The kruggerand commands a premium of perhaps 2 per cent or 3 per cent over the current gold bullion price in the international market, but has the advantage over bullion that almost anyone can become a gold investor for a relatively small initial outlay.

In Britain the situation is somewhat different, with the kruggerand selling at a much higher premium than abroad. This is because the number of coins in the country cannot be legally increased, following legislation passed in 1973.

In the early 1970s kruggerands came flooding into the country to satisfy the demand for gold ownership. The 1975 law prohibiting the import of any more coins increased this demand still further, with kruggerand prices rising to 34 per cent higher than the gold price, only to fall sharply the following year.

At the end of August, 1978, gold fell to around \$103 (£58) an ounce, and it was possible to buy a kruggerand for \$109 (£61). The sharp premium over the price of gold disappeared, and with a fall in UK demand for the kruggerand, the price in the domestic market was about

the same as the international price.

With the erosion of the domestic premium, coins began to flow into the international market, and since the import of gold coins had become illegal they were never to return—not by legal methods anyway. The problem is that as the domestic pool of gold coins diminishes at times of low domestic interest, so the encouragement to smuggle them into the country becomes greater when the price shoots up again.

When gold rose to around \$250 in February, which was then a record level, the kruggerand's premium in the domestic market increased to 18 per cent, compared with an international premium of only 3 per cent. The UK price was about \$30 higher than in the international market.

The sharp rise in the price of gold last month did not produce quite such a high domestic premium. On May 24 gold

closed at \$264, compared with \$248, on February 26, but the kruggerand price for UK delivery was almost the same on both dates, at about \$265.

Over the same period the international premium remained around 3 per cent, but even a \$10 premium over the gold price is enough to keep South Africa happy.

Last year world wide sales of kruggerands totalled 6m, nearly double the previous year, and well above the previous record of 4.5m in 1975.

The U.S. market takes about half the kruggerands sold, and this big market could have encouraged America's close neighbour, Canada, to produce a rival coin. Canadian gold production was less than 2m oz in 1977, however, and the only other possible source of competition for the kruggerand is from the USSR.

Russia already produces a gold coin, known as the Chervonets. This is much smaller

than the South African coin, weighing only 1 oz, and was first minted in 1975. Production then totalled 250,000, rising to 1m in 1978.

The Chervonets appears to have some numismatic value, particularly the small 1975 issue, which may command a premium of around 40 per cent over its gold content.

As the price of gold moves nearer to \$300 an ounce the attraction of a coin smaller than the kruggerand will grow, and this point is probably not lost on the South African authorities. The value of a 1 oz Chervonets may soon approach the price commanded by the 1 oz kruggerand less than three years ago.

As far as the UK market is concerned, the price of the kruggerand is already above \$290, but the premium over the gold price is now only 3 per cent, or roughly half the premium in February.

Colin Millham

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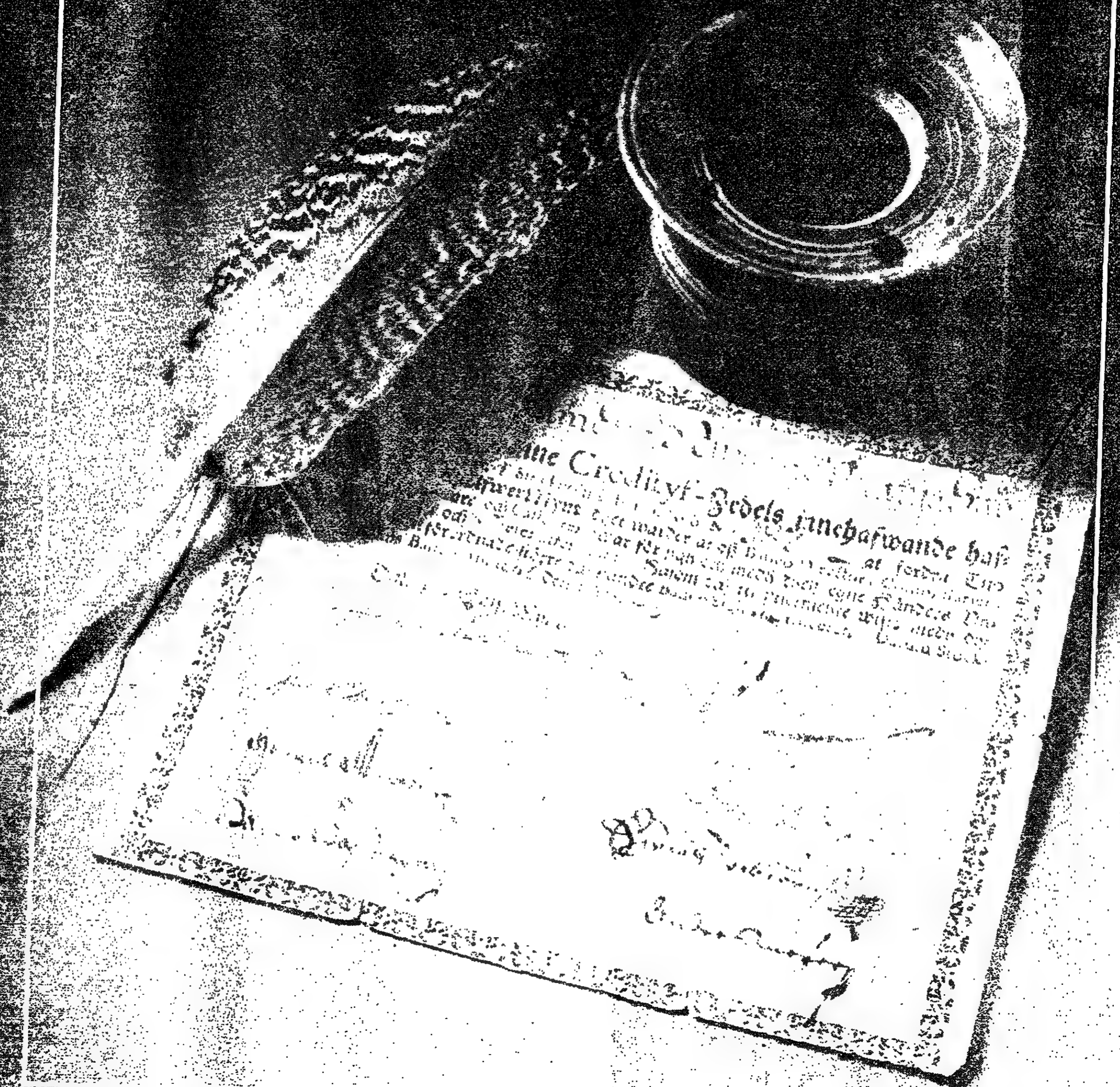
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Construction workers accept pay package

BY NICK GARNETT, LABOUR STAFF

CONSTRUCTION WORKERS, one of the last major groups in the current wage round, agreed a pay package with employers yesterday after difficult negotiations.

The deal, which will be formally ratified on Thursday, will add an estimated 13 to 14 per cent to the industry's wage bill. It takes effect on June 25.

Settlement was reached when employers on the Building and Civil Engineering Joint Board agreed to consolidate a further 20p a week from the industry's guaranteed minimum bonus into basic pay. They also agreed to hold early discussions on reviewing the minimum earnings structure for the 700,000 workers covered by the deal.

Yesterday's settlement followed a rejection of the last

offer by the Transport and General Workers' Union, the General and Municipal Workers' Union and the Furniture, Timber and Allied Trades Union. The Union of Construction, Allied Trades and Technicians, the largest union in the industry, had been prepared to accept it.

Mr. George Henderson, the TGWU's national construction secretary, claimed the credit for the improvements. UCAAT said it had not been prepared to mount a confrontation with employers when no new money was available. Yesterday's improvements were very marginal, it claimed.

For craft operatives, the settlement changes the standard basic wage rate from £4.4 to £5.16; the joint board supplement from £10.20 to £9.40 and

the guaranteed minimum bonus from £8 to £7. Guaranteed minimum earnings will rise from £60.20 to £67.

The standard basic rate for labourers will be increased from £37.60 to £44; the joint board supplement from £9 to £7.20 and the guaranteed minimum bonus from £5.40 to £6. Their guaranteed minimum earnings will rise from £52 to £57.20.

Basic wage rates remain 20p higher in London and Liverpool than elsewhere.

In any talks on restructuring, the unions will be seeking further consolidation of the minimum bonus and the joint Board supplement. The supplement forms a higher percentage of minimum earnings than it did before the last round of pay controls.

Talks seek to avert Tube men's strike

By Our Labour Staff

LONDON TRANSPORT and the three railway unions will hold joint talks today with the Advisory, Conciliation and Arbitration Service to try to avert a Tube strike set for next Monday.

ACAS yesterday got agreement from all the parties to come in for today's talks after contracting the employers' and trade union sides separately last week.

Hopes of averting the strike have worsened after a decision by the train drivers' union, ASLEF, to join the action called by the National Union of Railwaysmen.

The executive of ASLEF, which has about 2,200 members on the Tube, decided at the weekend to act unless London Transport made a satisfactory pay offer.

An all-out strike by ASLEF members is thought unlikely, but union officials have given warning of selective strikes and other forms of industrial action. The ASLEF executive also joined the NUR in making it clear that there would be no point in London Transport calling any further meetings of its Railway Negotiating Committee unless more money was on the table.

The NUR yesterday sent strike instructions to its members. British Rail staff and the few bus workers the union represents have been instructed not to do extra work or operate extra services designed to alleviate the effects of the Tube strike.

The NUR, ASLEF and the white-collar Transport Salaried Staffs Association have rejected a pay offer worth 10.3 per cent and are pressing a claim for all 23,000 Tube workers of 17.30 per cent.

Post Office improves pay offer

By Philip Bassett, Labour Staff

THE POST OFFICE is putting forward proposals to improve its pay offer to 200,000 telecommunications workers by about 3 per cent.

Post Office negotiators have already put details of the proposals to the Society of Civil and Public Servants, and are expected to repeat the offer today to the Civil and Public Services Association.

The two unions represent clerical and computer staff in the telecommunications division. They have been taking strike action in support of their pay claim for increases of about 25 per cent. This has halted the issue of all computer-processed telephone bills.

The new offer, which has not yet been formally put to the largest telecommunications union, the Post Office Engineering Union, adds 3 per cent to the payment for accepting grade restructuring.

The former offer, which the unions have rejected, put forward increases of 9 per cent in basic rates with 3.7 per cent for grade restructuring. Those groups, including the SCPS and CPSS, whose pay date is April 1 would also receive 2.1 per cent for moving their settlement date to July 1.

The new element, though, would not be paid until April next year and is conditional upon the acceptance of the Post Office's restructuring plans. Some unions are unhappy about what they see as this year's settlement being taken over to next year.

The corporation's restructuring plans, too, are likely to meet opposition from the POEU, which wants the offer split up to give pay increases to items such as visual display units, eliminating interference. System 2000 can be fitted at

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOFERS

ELECTRONICS

Stock Exchange is ready for the 80s

FAITHFUL RETAINER for the past 10 years, and a service to the London Stock Exchange without which the latter almost certainly would come to a sudden stop, Market Price Display Service or MPDS is to be replaced with equipment embodying many of the latest advantages of electronic engineering.

In a closely fought contest for this prime site, Modcomp has won the order which specified that the computer equipment installed should be able to run well over 2,000 terminals, the latter figure being the current MPDS limit, in anticipation of an expansion in the subscriber base.

Significant among the specifications for the equipment is that it will be organised to present information in a View-data or Teletext service and, in the opinion of the head of information and communications at the Stock Exchange, Nicholas Remington-Hobbs, will represent a major advance in private Viewdata systems. It is likely to be the largest in this category for some time to come.

since the intention is to take over from MPDS, step by step, over the next four years. Few, if any, such networks now planned will reach terminal numbers of, say, 2,500 by 1982.

TOPIC, acronym for Teletext output of price information by computer, is the name of the new service.

It will greatly expand the coverage of MPDS, not only because almost twice the prices now carried will be quoted, but also because it will give data on the Traded Option Market, price indices and trends, extended reports on company results and news items of importance to dealers. Add to this the fact that a much wider area will be covered and that data will be presented in colour—so that graphics become much clearer and easier to absorb at a glance—and the appeal of Topic is obvious.

One of the hurdles the competitors for the system had to cross was that it should be able to respond to 1,000 interchanges every five seconds. This Modcomp will do, initially with

two machines, in an array of equipment worth about £250,000. While Topic will speed the external service of data presentation to brokers and jobbers as well as other takers, internally the computer services group, led by Jim Bartley, has carried out a task which will speed accounting procedures on the Exchange under the Tallman computerised dealing system which has just gone into operation after several years' development.

The move is being made to transform the system into a totally electronic one and away from paper, with the knowledge that Tallman output on paper could add up to something like three or four tons of printed product each day. This would have represented a massive storage and retrieval problem, for the verification of deals concluded, and for settlement.

Output is directly from computer tape on to microfilm which takes less than 2 per cent of the space required for the equivalent film records. The media is coded for quick retrieval on a reader or reader-printer for hard copy where required.

The job to capture Tallman data has been handed over to a facilities management basis to Microgen, a company specialising in COM bureau services. However, the data handled was judged too sensitive to hand over to bureau operations and the microfilm room is on Stock Exchange premises under Microgen supervision.

Equipment used to transfer data from tape to film is by Datagraphix, which has always been considered a market leader, particularly where large operations demanding extreme reliability are concerned.

TV filter production increased

IN THE space of a very few months, Siemens AG has manufactured 2m units of a new surface-wave filter built on a lithium niobate substrate called "Liob".

The filters are used in intermediate frequency picture stages in television sets and have almost completely taken over the position once held by conventional inductive filters. A total of nine Siemens filter types are now available for the varied television standards in force in different parts of the world.

For many years, the electronics industry has been working on an integrated surface-wave filter to replace

filter networks using discrete coils and capacitors. It was originally intended to employ a ceramic material with piezoelectric properties as the electrode structure substrate. The material's low constancy, however, turned out to be a barrier to economical batch fabrication.

With substrates made of lithium niobate (LiNbO₃), the three structure elements of a surface-wave filter—input converter, coupler and output converter—can be etched from an aluminium layer using a photolithographic process. The packaged filter measures less than one centimetre square; no alignment is required.

Envelope delay and pulse behaviour are also improved by the use of television sets and the electrical properties are of such constancy that these surface-wave filters had no difficulty in gaining the upper-hand over conventional discrete filters.

To meet high demand, Siemens has increased filter production at its Munich factory. The company's applications laboratories will also provide time-tested circuit proposals for complete video I.F. stages. Moreover, conversion of television sets already in production to include the new filter presents no problem.

Siemens House, Windmill Road, Sunbury-on-Thames, Middlesex TW16 7HS. 08327 35691.

CONSTRUCTION

Glass in concrete

AFTER some four years' research and development into a high-speed process of producing glass-reinforced concrete, known as Bancem, London Brick Buildings has granted a licence to Power Sprays, of Littleton-on-Severn for all further development, manufacture and worldwide marketing of the system and relevant equipment.

Bancem, which is already the subject of patents in 26 countries, relies on a critical disposition of the glass fibres within the slurry, resulting in a material consistency much superior to any obtained by alternative methods, its developers assert.

To achieve this, a new technique of mixing has been evolved and this, coupled with high frequency mould vibration, permits the production of reinforced concrete items of

extreme strength and consistent quality. Of equal importance, where the production of high-grade slurry for either hand or mechanical "spray up" application is required, the predetermined consistency is ensured at all times.

Bancem has potential for the production of g.c. moulded products either in continuous long-run situations or for the manufacture of low labour cost short runs of products. Power Sprays is introducing a range of mixers to the market. These will be capable of controlling wet or dry mix at continuous throughputs ranging from 20 kg to 200 kg per minute.

London Brick Buildings is at Bancroft House, Royal Leamington Spa, Warwick. CV32 4JA. 0826 27131.

RESEARCH

Coal/oil fuel tests

NOVEL WAYS to produce coal and oil mixture (COM) developed on a practical basis by Japan's Denso Kaitaku (Electric Power Development Corp) have attracted attention as a means to promote coal utilisation and oil conservation. Following the declaration at the Ministerial meeting of the International Energy Agency on May 22-23 which called for a concerted effort to curtail the use of oil, the Japanese Government drafted the measures to promote development of coal liquefaction and other oil alternatives.

Coal liquefaction is expected to assume an important role as a main source of energy in the 1980s. COM fuel is expected to play an intermediate role as an energy source in the 1980s. COM is a blend of finely ground coal and fuel oil, having the advantage of being transportable by pipeline and generating much higher energy than coal alone. COM-burning power plants do not require a big fuel depot.

Denso Kaitaku, a non-profit organisation, 70 per cent owned by the Government and the rest by the electric utility industry, has been studying COM since 1976. The club of the special surface agent which stops precipitation of fine coal during blending with heavy oil. This has been done.

The research has been done at a pilot plant at the Nagasaki research laboratory of Denso Kaitaku. Mixing tests have been made on Australian and South African coal and Middle Eastern and Indonesian oils. Recently, mixtures of Chinese oil and coal and Alaskan oil and coal have been studied because large supplies from these areas are expected in the future.

In the next few months Denso Kaitaku will start burning tests on these fuel mixtures. In co-operation with Mitsubishi, Ishikawajima Harima Heavy Industries and Kawasaki Heavy Industries.

Through these tests, Denso Kaitaku hopes that it will perfect the development system to produce COM on a practical basis and has applied for patents on the new COM process in the U.S., UK and Australia.

The first COM-burning thermal power plant will begin working in 1985 at the latest. Meanwhile, surface agent manufacturers, Kao Soap, Nippon Oil and Fat, and Lion Oil and Fat, have signed a joint research and development agreement for the special surface agent which should be available commercially by autumn this year, with development costs amounting to ¥500-600m.

Acoustics from light give clear image

WORK IN progress at the University of Helsinki and reported in a recent edition of the IEEE's Electronics Letters has given rise to a photoacoustic microscope with a resolution of a few microns that might prove useful in the study of coating, surface and sub-surface conditions of materials.

Essentially the technique consists of scanning the specimen surface with a special gas-filled cell using a chopped, narrow laser beam. At each point in the scan, light is selectively absorbed and converted to a small acoustic signal that can be detected and used to modulate say, a cathode ray tube beam that is being synchronously scanned, producing an image of the surface.

Resolution of the device is determined by the quality of the light focusing optics, and using standard objectives a spot size of a few microns has been obtained. Using a relatively in-

expensive helium-neon laser and a power in the chopped beam of 3 mW, together with simple electronics, the microscope was able to produce an image consisting of 128 x 128 image points in about two minutes.

Nominal chopping frequency is 1000 Hz, reducing this gives a larger photoacoustic signal but makes the scan time longer, because the detection of signal amplitude needs a few cycles per image point.

To produce images more quickly chopper frequency and laser power have to be raised to avoid degradation of signal-to-noise ratio.

An electret microphone has been used to detect the signals, although at sufficiently high frequencies a piezoelectric transducer is feasible.

More from the Department of Physics, University of Helsinki. Siilavuoropenger, 20D, 00170 Helsinki 17, Finland.

MATERIALS

Will retard flame

AN EPOXY polyester web tape only 0.14 mm thick (5.5 "thou") with flame retardant properties has been launched by 3M United Kingdom.

Known as Scotch No. 10, its applications will include use as an outer wrap for bobbins and stick-wound coils, for lead anchoring, interleafing, and for banding and strapping in transformers.

The tape has been subjected to the Underwriters Laboratories tests for flame retardance and has been recognised for temperatures up to 150 deg C.

The tape's white backing provides good contrast for a variety of marking inks.

More from P.O. Box 1 Bracknell RG12 1JU (0344 28727).

Times dispute still in deadlock

By Our Labour Editor

SENIOR EXECUTIVES of Times Newspapers, whose titles have been suspended for nearly seven months, yesterday met more than 100 union officials involved in deadlocked negotiations with the company.

The meeting was addressed by Sir Denis Hamilton, chairman of Times Newspapers, who has hitherto remained in the background. His remarks were reported to be conciliatory, but no new initiative was apparent on either side.

The meeting lasted one-and-a-half hours and the company said later that the executives had been present at the invitation of the union fathers of chapel (branch chairman). Sir Denis would respond in the next few days to their demands, which are mainly for reinstatement of the 3,100 dismissed employees.

All the signs are that the company is ready to keep The Times, The Sunday Times and the three supplements closed until the autumn if necessary in order to win concessions from the National Graphical Association about control of computer-linked terminal keyboards for typesetting.

After that there would be a thorough review of the situation, including the possibility of publishing elsewhere. The company appears determined not to sell the titles nor close them permanently even if it fails to reach agreement with the unions by then.

The only sign of progress in the dispute is the discussions between the NGA and the National Union of Journalists over whether there is scope for mutual control of electronic keyboards at some stage of the production process. The company is not involved in those talks.

Yesterday's meeting was called by the unofficial trade union liaison committee, which was formed after the shutdown. The company does not recognise the committee as a negotiating body.

Taxi protest

THOUSANDS of London taxi drivers are expected today to take part in a demonstration in London's Pall Mall in protest at the Government's failure to act quickly to increase taxi fares.

NALGO prepares to fight job cuts

BY OUR OWN CORRESPONDENT

A CONFRONTATION over jobs loomed yesterday between Britain's biggest white collar union and the Government.

The executive of the 730,000 member National and Local Government Officers Association issued an emergency motion expressing its determination to fight the Government's plans for public spending cuts.

When the union's annual conference opens in Blackpool today delegates will be asked to admit the motion to the agenda. It is expected to be debated on Thursday.

The executive is asking the conference to:

- Declare full support for branches which decide that industrial action is necessary to stop redundancies, and urge branches to co-operate with other unions in protecting jobs.
- Instruct members to refuse to perform duties attached to vacant posts and refuse to co-operate with any developments unless additional payment is provided.
- Call on the TUC to promote vigorous collective opposition to

Government policy on public expenditure.

The executive fears that the Government's declared policy will result in "a further deterioration of public services which have already been subject to severe restraint in recent years."

Mr. Mike Blick, chairman of the union's local government committee, said yesterday that the union's priority during the next 12 months would be job protection.

He was speaking at a group meeting representing 450,000 members in the town halls, where delegates were told that talks on their 15 per cent pay claim are expected to begin later this month.

There is little chance of that claim being met and Mr. Blick urged that plans for any industrial action should be deferred until the employers had made their final offer.

Britain's hospitals face disruption from 80,000 NALGO administrators and clerical staff in the National Health Service who are dissatisfied over a pay claim.

BL Cars strives to solve white collar pay problem

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BL CARS has taken the initiative to head off trouble from white collar unions after a one-day strike yesterday by 6,000 design workers.

TASS, the staff section of the Amalgamated Union of Engineering Workers, brought out its members in protest at the company's failure to implement a new grade structure that could yield wage increases of between 15 and 30 per cent.

BL Cars announced yesterday that it was seeking an urgent meeting with all its staff unions at which to put forward proposals to overcome the difficulties.

TASS is opposed to the company's insistence that higher payments for design workers must depend upon improved productivity on the shop floor. Management accepts the union argument that pay for design workers has fallen out

of line with that of competitors, such as Ford, but maintains that any awards must be self-financing.

BL is hardly likely to shift ground on this fundamental principle, but it may suggest other ways of qualifying for higher earnings. Instead of requiring output across the group to reach planned output levels, the company might phase the new payments over a longer period.

The one-day strike by TASS is only the first stage of a militant campaign which is intended to embrace an overtime ban, working to rule, and refusal of co-operation on the introduction of new models, such as the Mini Metro.

Safety at work catalogue

A CATALOGUE of about 1,500 Health and Safety Commission and Executive publications on health and safety at work was published yesterday by the Health and Safety Executive. "Publications Catalogue," Health and Safety Executive, SO, £1.

Murray wants buyers to meet workers

BY OUR LABOUR STAFF

FOREIGN AND British buyers visiting factories should meet workers' representatives as well as management so that they can have a better appreciation of the customers' needs, Mr. Len Murray, general secretary of the TUC, said yesterday.

He told the Institute of Practitioners in Advertising in London that trade unionists were already taking part in identifying and satisfying the interests of makers and users, suppliers and customers. "It would not take much to coax more of the mto do so," he said. Conferences on industrial strategy earlier this year had shown that full-time union officials and shop-floor representatives were very keen to gain an insight into one another's problems.

He said: "I would like to see more of the face-to-face interchange. I look forward to the day when it will be standard practice for a foreign buyer, of a British buyer, visiting a factory to meet not only the sales manager and the produc-

tion managers but the shop steward of the works committee so that they too will hear the grumbles and complaints and understand better the demands of the man with the money to spend if he can get what he wants when he wants."

Mr. Murray believed this would "work a lot better than newspaper leaders or a poster in the works canteen urging the workers' to pull their finger out."

On the general problems facing industry, Mr. Murray said British companies were spreading their world marketing too widely and too thinly. They should instead be learning from the example of their foreign competitors who appeared to be selecting a few key markets and concentrating their resources, manpower as well as money, on making a big impression on them.

"In the domestic market, the story we hear all too frequently is that makers and users and makers and retailers do not keep closely in touch with each other."

Correction to advertisement which appeared on page 30 of the Financial Times of 1st June, 1979

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will now appear on Thursday 14th June

THE ARTS

Aldeburgh Festival

Church parables

by ANDREW CLEMENTS

Of all the Britten works remastered at Aldeburgh festivals over the years, none retains the sense of place more than the three "parables" for church performance. Orford church isn't an ideal setting for any sort of opera — only a portion of the audience has an unimpeded view of the acting area. But almost as wide as it is long, the dimensions and acoustics of Orford suit the timidity and the hauntingly puffed textures of these peculiarly shaped works exactly. Appropriately the 1979 Festival ran there on Friday and Sunday evenings with revivals of the first two parables, *Curlew River* and *The Burning of the Witches*.

Curlew River is now 15 years old. A lot has happened to it since it was first performed in the Festival of the Fires of London. It is now presented by the English Music Theatre Company. It has been produced by several different producers, and it has been performed in many different places. It is still a powerful and moving work, and it is a pity that it is not performed more often.

Elizabeth Hall

Perahia

by DOMINIC GILL

In the seven years since he won the first prize of the Leeds International Piano Competition at the age of 24, Murray Perahia has experimented with a number of different roles, earning variously, and with some degrees of success, also as a conductor, chamber musician, and accompanist. Some of those experiments were happy ones, others less so: and all will be valuable to him. But his recital he gave on Sunday was a masterpiece — and a masterpiece could have been a winning, or more triumphantly — that his first and dearest talent lies still with the instrument.

It was a marvellous recital: a kind, and in every respect matters, nearly faultless. We heard three major performances, and none of that exalted level which — as I never tire of reminding readers of this page — there are no "better" artists, as there are no "better" composers: only different ones. A listener can't quibble with such-making of such translation and magical authority: he takes it as it comes, as it is, and even in disagreement, must admire.

There was little time enough for disagreement, for Perahia drew us directly, in the first bars of Beethoven's "E-flat sonata" into an irresistible and raking web: every shade and it of the opening movement with colour, every line, apologetically drawn — and driven by a quick rhythmic snap. The movement was a true scherzo, with its growingly, delicately contrasted: in the point of the finale its

of growing brass for the worship of the god of gold and a mock-heroic cast to the entries of Nebuchadnezzar. Bryan Drake is the only survivor from the original cast. The roles taken first by Peter Pears — the Madwoman in *Curlew River*, Nebuchadnezzar in *The Burning of the Witches* — were passed to Bernard Dickerson and John Winfield.

Dickerson was particularly impressive, fresher, warmer of tone than Pears, less histrionic but ultimately just as moving. In the first parable, Donald Stephenson's ferryman clearly put over the crucial narrative, and in general direction was considerably better on the first evening. Praise, too, for Hubert Star's faultless horn playing on both evenings: praise, in fact, for all concerned, whose dedication seemed to approach that of the Noh players who fired Britten's imagination for the works in 1956. Enthralling experiences.

A visit by the Cambridge University Musical Society has become an Aldeburgh tradition in the 1970s. It usually brings a big choral work — as much a chance for the Festival regulars to mime along to the vocal score and for the singers and orchestra to be indulged by the marvellous Maltings acoustic.

On Sunday afternoon, conducted by Philip Ledger, they filled the place with a fearful sound in Handel's *Israel in Egypt*, a very good choice for such an energetic, responsive choir; part I in particular is crammed with spectacular big choruses. The soloists in such a sparkling performance were inevitably a little in the shade but David Cordier made much of "Their land brought forth frogs," a pleasant flexible counter-tenor, presumably yet another product of the Cambridge choral tradition.

stormy C minor episode, given with hardly a touch of sustaining pedal, naked in its fury, powerfully contained.

The four Chopin Impromptus, played as a single sequence, were the afternoon's centrepiece: the A flat and the C sharp minor two glittering pinnacles to frame the more muted conversations of the F sharp and G flat — muted, but never soft-centred. Perahia's finale, where he also found his freest and most original inspiration, was Schubert's late A major sonata D959. The first movement's epic grandeur, and epic sadness, were turned to heroism and melancholy: a broad landscape of marvellous variety, dappled with changing colour, stopped and barred with urgent punctuation. The andantino was masterly, perfectly graded, endlessly sad. Perhaps it was a mistake not to play any of the Rondo's repeats: without them there is an odd foreshortening of perspective and what we heard was so full of freshness and vigour that we could well have heard it twice.

This was Perahia's first solo recital in London for several years: may we soon — even at the expense of some of the accompanying and conducting — have some more?

Rodney Friend to lead BBC SO

The BBC has announced the appointment of Rodney Friend as leader of the BBC Symphony Orchestra. Mr. Friend is at present leader of the New York Philharmonic Orchestra and will be taking up his new post in January 1980.

British Museum

Flower Power

by ROY STRONG

I do not know whether it is just the fact that the sun is shining or that the new Minister for the Arts has promised to reopen the V and A, but the British Museum's Print Room exhibition left me in a transport of delight. *Flowers in Art from East and West* is the accurate if awkward title embracing one of the most ravishing of visual experiences that will be available (free!) to museum visitors this summer.

Two departments, that of Prints and Drawings and of Oriental Antiquities, have combined their resources together with those of the rest of the museum, the British Library and other lenders, to stage a staggering exhibition of paintings, prints and drawings of flowers within the traditions of Europe, West Asia and India and Eastern Asia.

It is a large exhibition with several hundred items and a veritable feast of beauty. The range is enormous — from fan paintings to botanical studies, from medieval herbals to Japanese screens. Oil paintings and designs for the decorative arts have been excluded. The show is accompanied by an excellent book by the organisers, Paul Hulton and Lawrence Smith, good value at the price, although it is maddening not even to have a check list of exhibits, and it is not clear that what is reproduced in the book is necessarily in the exhibition.

Altogether it is an event to savour and to sample. It is, of course, grouped under theme, but I feel that the visitors' approach to this bouquet is to be drawn to the bloom whose scent attracts him first. It can lead to drawings by Leonardo of plants in red chalk executed in connection with his picture of Leda and the Swan. Leonardo, unlike his other high Renaissance compatriots, did not despise the art of recording nature. It can equally lead to 15th-century northern manuscripts, the art of Jean Bourdichon of the Ghent-Bruges School, a tradition closely linked to the art of the Van Eycks and vigorous to the end of the 16th century in the figure of George Hoefnagel.

On the burnished borders of books of hours, minutely observed pinks, lilies, pansies and violets float amid insects and butterflies. Or elsewhere there are astounding Chinese hand-rolls of which the viewer was supposed only ever to see a section at a time which, in ink, for instance, can record a horizontal voyage up a vertical pine tree.

Basically the exhibition story line is the triple approach to flowers, the European, which is scientific and analytic, the West Asian and Indian, which is decorative and hedonistic, and the Eastern Asian, which is

aesthetic, even philosophical. Inevitably, the second of these groups must be the most disappointing because it is devoid of the idea impulses of the other two.

Most visitors will be better equipped to follow the European tradition which is the history of the rediscovery of the art of looking and recording embodied in the single act of picking a flower and actually trying to depict what they actually saw. One is constantly amazed how many centuries it took to achieve this elementary process. Medieval herbals copied earlier illustrations stretching back often to unknown classical sources rather than look at what was actually growing in their monastic garden and it was not until the influence of Arabic medicine was felt via Salerno and later Padua that the first stirrings of what we would, in retrospect, label as a scientific approach began.

This is caught, for example, in the beautiful sprawling plant portraits in a late 14th century manuscript from Carrara. About the year 1400 there was a move all over Europe towards this observation of natural phenomena. It was as vigorous in the herbalist illustrators for medical purposes as it was in the manuscript scriptoria for the decoration of late mediaeval courts.

During the 16th century this impulse bursened into the art of botany, an activity stimulated by the arrival from the New World of hundreds of new plant species. Soon artist-draughtsmen became an essential part of any voyage of discovery, a tradition that was to stretch from Jacques Le Moyne de Morgues and John White's voyages to Florida and Virginia down to Sir Joseph Hooker's visits to the Antarctic, Australia and the Himalayas in the era that witnessed the advent of photography.

With the development of printing came the illustrated flower and plant book and the herbal. It was Pliny who published the work of Dioscorides, L'Ecuse and L'Obel, whose illustrations set new standards of accuracy. Nor should we forget our own John Gerard, whose herbal, again contained illustrations which were the result of actual observation of plant forms.

Beautiful as these books were they were to be surpassed in the next century and above all in the one that followed, by those vast tomes which perpetually set new records for books in the sale room: van Huisum's *Catalogus Plantarum*, Catesby's *Natural History of Carolina*, Thornton's *Temple of Flora*, or Redouté's *Les Roses*.



Botanical Study - Four pink carnations by Herman Sadleir (c. 1609-1685)

Royal Festival Hall

LSO and Abbado

by RICHARD JOSEPH

As part of their 75th anniversary season, the London Symphony Orchestra is presenting a series of prestigious concert programmes. Sunday evening's Festival Hall concert, conducted by Claudio Abbado, featured the collaboration of two major Russian soloists, pianist Lazar Berman and mezzo soprano Elena Obratsova, in two popular Russian works.

Berman's performance of Rachmaninov's Second Piano Concerto was notable for its great technical composure, ample piano sound, and a willingness to play softly. But one needn't invoke the neurotic elan of Horowitz or the rich expansiveness of Richter, to name two of this concerto's finest interpreters, to find Berman's reading lacking in individuality.

As much as an absence of idiosyncrasy and willfulness is welcome and refreshing, one can reach a point where blandness is in itself a difficulty. In difficult piano writing, Berman's technical ease merits attention, but other, less spectacularly composed sections lacked the imagination and musical specificity required to hold the slender thread of this music together.

Abbado and the LSO produced an unusually rich accompaniment. The strings in particular benefited from the conductor's decision to screen off

the organ case-work behind the stage, so that the full sound was more resonantly projected into the auditorium. These well upholstered textures, just right for Rachmaninov, suited Prokofiev's Alexander Nevsky cantata less well.

In spite of the virtuosity of the wind soloists and a brass section willing to take the risks this colourful score demands, Abbado's performance of Nevsky lacked an overall crispness of attack and sureness of balance. His interest in the bass line and middle register textures, so valuable in Mahler performances, became a liability, producing a thick sound that got in the way of Prokofiev's rhythmic buoyancy. Abbado's ability to blend instrumental voices also meant that the sharply differentiated colours of the score were inadequately differentiated. Yet within this sonic framework, his interpretation was cogently structured, clearly presented and emotionally compelling.

Just what the well-drilled LSO Chorus lacked in Slavic intensity was demonstrated by *The Field of the Dead* solo. Singing from memory, in a mesmerisingly covered and withdrawn tone, Obratsova provided a rare pleasure: that of hearing an ample voice scaled down to an intensely moulded mezzo-range, neither forced nor self-conscious.

Bursary for piano tuners

For the first time the Arts Council is to finance an advanced training scheme for piano tuner/technicians wishing to work in the specialist field of concert performances.

Steinway and Sons have offered to provide the training free of charge and the Arts Council will provide a bursary to help the selected trainee with personal costs. The closing date for entries is July 18. It is hoped training will begin in September.

The Arts Council is hoping to attract a tuner who will be prepared to work near Birmingham, Manchester or Newcastle, areas in which there is the greatest need for a concert technician. The scheme is open only to trained piano tuners who wish to move into this specialist field.

Further information is available from Ken Blakeley, assistant music director, the Arts Council, 105, Piccadilly, London, W1V 0AU.

Paris Art

'Rodin and the Far East'

by BRIAN TAYLOR

In a city of numerous museums with concurrent and competing temporary exhibitions, the present show "Rodin and the Far East" (Rodin Museum, until July 2) is one of those a visitor to Paris might choose to miss but should not. Drawn from the museum's rich permanent collection, the assembled drawings and sculptures intrigue not by the exoticism of the subject matter, but rather by the light shed upon a little known facet of Auguste Rodin's immense productivity at a time when he was nearly 70.

With the *Bourgeois de Calais*, *Balzac*, and *Le Penseur* sculptures just outside the window in the garden to remind one of Rodin's "classic" works, the viewer is confronted for the most part with studies in crayon and gouache of oriental dancers, and a series of sculpted heads portraying a mask of the moment of death. A strange and at the same time exciting combination of two themes: the one inspired by the vitality of Cambodian dancers, for instance, whom Rodin first saw at the Colonial Exhibition of 1906 in Marseille; and the other, probing the agony of impending death as personified by Hanako, a Japanese actress in a traditional theatre production.

Rodin's fascination with these expressions of oriental culture — which eventually led him to collect oriental prints, sculptures, and art objects also now on display — is in no way comparable to that of the so-called "orientalists" of his day. The exhibition reveals Rodin (known for his attachment to Greek antiquity) searching with the appropriate means to capture timeless qualities of movement, gesture, and balance in the case of the dancers, rather than the superficial accoutrements of oriental culture.

The particular language of hands and arms, so unfamiliar and at times awkward-appearing to Western eyes, Rodin sets down on paper with superb endurance and simplicity. Graceful line drawings are overlaid with washes to emphasise form that appears weightless. Here the draughtsman's attempt to extract meaningful position types from the oriental dance is paralleled by the sculptor's preoccupation with masks as the quintessential, symbolic expression of a given emotion.

Hanako, whose dramatic portrayal so struck Rodin, agreed to pose for Rodin in Paris on numerous occasions from 1907 to 1911. She was asked to recreate and then to hold for long periods the horrified expression of the heroine of the play when she commits suicide by plunging



Danseuse Cambodienne, 1906

a dagger into her neck. The finished and half-finished studies in terracotta, plaster, and bronze offer vivid and disturbing evidence of Rodin's determination to render physically palpable the complex feelings of a person conscious of the moment of truth.

It is the particular merit of this show that it opens, as it were, the studio and notebooks

Davis engagement cancelled

Mr. Federico Davis has been injured in an accident on stage in Milan and has had to withdraw from his engagement at

Glyndebourne this year. The role of Vanuzzi in Strauss' *Die schweigsame Frau* will be sung by Joseph Rouleau.

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FINANCIAL TIMES

Eurobond Quotations and Yields

AIBD

THE ASSOCIATION OF
INTERNATIONAL BOND DEALERS

At 31st MAY, 1979

The Association of International Bond Dealers (AIBD) compiles current market quotations and yields for Eurobond issues.

These quotations and yields are published monthly by the Financial Times. The Association's prices and yields are compiled from quotations received from market-makers the last working day each month.

There is no single stock exchange for Eurobonds in the usually recognised secondary market trading which is done on the telephone between dealers located across the world's financial centres.

Membership of the AIBD which was established in 1969, comprises over 450 institutions in about 27 countries.

Eurobonds in May

BY FRANCIS GHILES

May 1979 will be remembered in the Eurobond market for the tenth anniversary meeting of the Association of International Bond Dealers in London and the fierce arguments in the market about how best to manage new issues.

The confusion which surrounded the discussions at the AIBD meeting on the topic of pre-market trading, was deplored by many participants and the incoming chairman, M. Rupert Hambro has admitted to concern that the primary and

secondary markets are increasingly tending to go their separate ways. The controversy about the pre-trade market is simply a symptom of a deeper malaise.

Pre-market trading is not new: it has existed for many years but has, during the past 12-18 months, become more publicised. In recent years the large institutional investors have been increasingly active players in the bond market. They have been instrumental in getting the managers of new

issues to share much of their underwriting concession in the form of a discount from the issue price.

Generally, the small investor is charged the full price for a given issue while the institutional investor will, in most instances, receive his bonds at a discount of an average of 1½ points, the so-called selling group discount.

Added to the fact that many issues in recent months have been mispriced (either because intense competition between

banks has led to the attribution by borrowers of mandates on terms which are not attractive to the investor or because currency and interest rate turmoil has made the pricing of new offerings an increasingly tricky business) the conditions were ripe which allowed pre-market traders to emerge with a more important role.

The quotation, in the grey market, of a new issue, at say a two point discount, is clearly not an encouraging sign for the lead manager nor is it a good prospect for the investor who may be receiving solicitations to buy the bonds directly at the full subscription price.

Some leading issuing houses have tried to discourage this practice, not least Crédit Suisse White Weld. It launched a \$100m convertible for Crédit Suisse (Bahamas) last month and chose not to allocate a single bond to some of the major underwriters of the issue.

Indications about the level at which the issue would trade after pricing suggested a discount of up to two points. The lead manager was thus led to consider carefully which of the underwriters of the issue were finding real demand for the bonds.

It wished to avoid those who might promptly offload into the market.

What is less clear though, and what caused consternation among a number of bankers, is why the lead manager chose not

to allocate any bonds to some major underwriters who confirmed they had enough real demand to cover the size of their allotments. Some banks felt that, by resorting to this tactic, CSFB wanted to teach the "grey market" a lesson and ensure that it retained firm control of the secondary market in this issue.

CSFB opened the issue at 99½ and brought it up the following day to 99½-100, a strategy which apparently cost some dealers taking positions in the grey market on the basis of a two point discount dear.

Another feature of this convertible was that CSFB was the sole lead manager. This is the second time CSFB has resorted to this tactic and it did so again at the tail end of May when it launched an issue for Alcoa. The pros and cons of this tactic were another talking point in the market: this technique is criticised on two grounds by houses which argue that having a sole manager deprives the borrower, particularly if he is coming to the market for the first time, from the benefit of having more than one view of the market and at what terms the investor would be prepared to buy paper.

The second charge levelled at the tactic is that it does little to create goodwill from other banks vis-à-vis the borrower. Furthermore, banks which invite CSFB into the management group of issues they man-

age should be able to count on reciprocity.

It is also a poor inducement for banks underwriting the issue to perform in the secondary market. If a bank is co-manager and takes a fair share of an issue, it will want to ensure that the bonds perform well in the aftermarket. If on the other hand its underwriting effectively amounts to less than 1 per cent of an issue, there is no reason why it should bother about what happens to the bonds once they have been priced.

Other houses counter such arguments by saying that if CSFB, or for that matter any other bank has the muscle to tackle an issue on its own, all well and good. The lead manager can keep all the management fee rather than have to split it. They accept that few houses have the muscle to place a whole issue through its own branches and in its own accounts.

Most new issues during the month of May were in the form of FRNs. Fears of rising inflation and concern that U.S. interest rates had not yet peaked explain this success. In secondary market trading the undertone in the FRN sector has been firm with the prices of longer dated issues rising most.

At the end of May and the beginning of June a number of new straight dollar issues were announced, not least two for U.S. corporate names, which

are always favoured by investors. How large this new volume window will be is as yet uncertain. All these issues were either pre-underwritten or lead by a sole lead manager, usually with final terms announced when the bond was launched.

This feature of the market is fast becoming the norm as banks seek to guard themselves against sudden changes in market conditions which may result from interest rate of currency moves.

The Deutsche-Mark sector has meanwhile failed to find a yield level at which it can attract investor interest and so has the Japanese bond market.

Few DM issues were launched last month and the German capital markets Sub-Committee decided ten days ago to limit the calendar of new issues to a single one during the month of June. This issue, for Sweden, has already been launched and well received. This is explained by the eagerness with which central banks will buy such prime quality government paper. Little trading is going on in the secondary DM market though the tone improved last week after the announcement of the terms for the latest issue for the Federal Republic—which offered a yield of more than 8 per cent on the ten year tranche.

In the Swiss market the flow of Japanese convertibles and a few straight bonds continues but trading is described by dealers as nervous.

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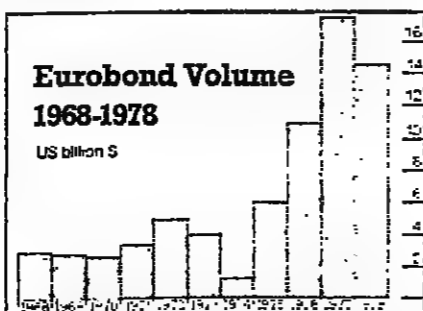
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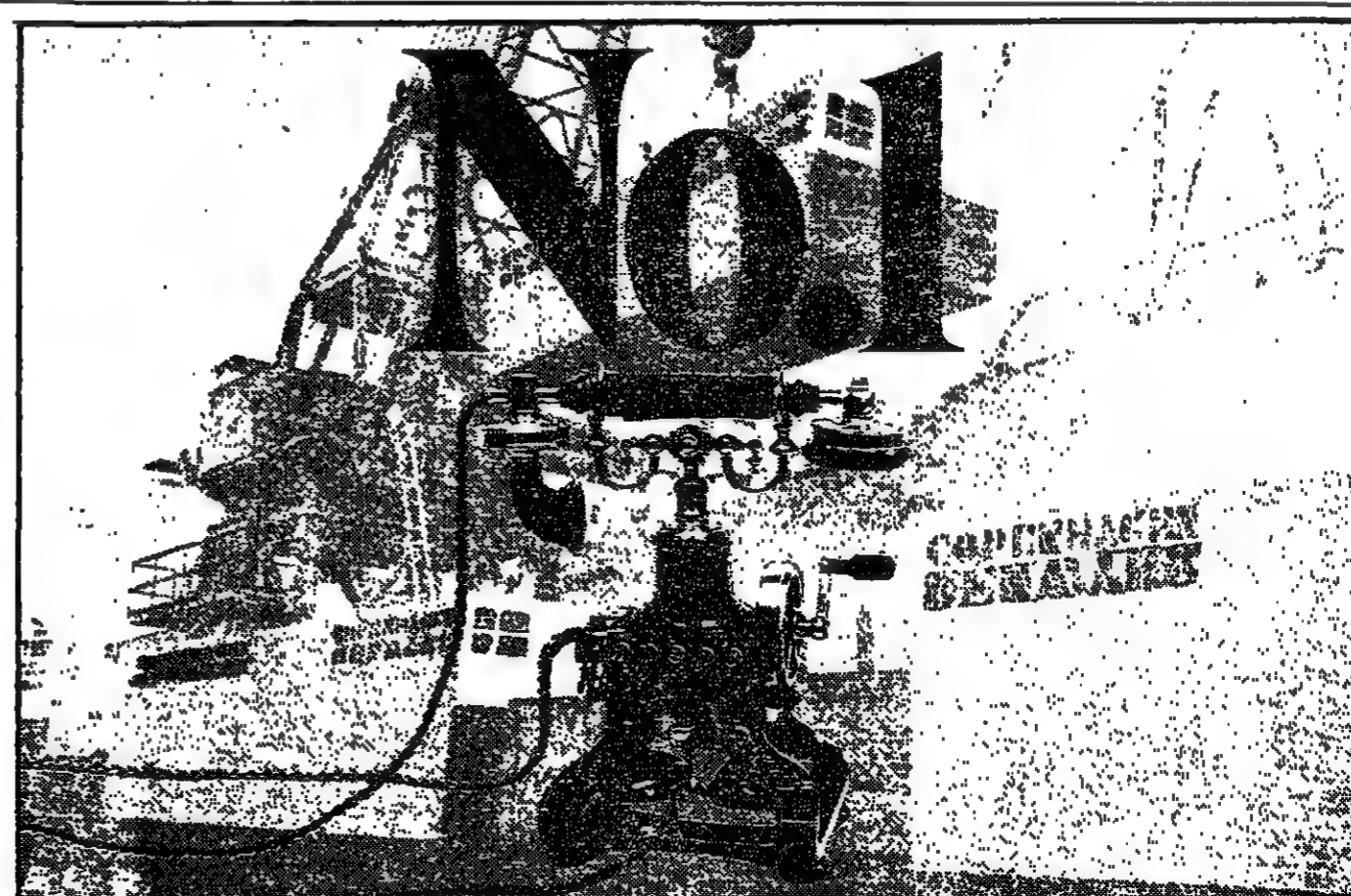
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Net profit for the year	200	181
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Advances	10,330	8,577
Deposits	10,998	9,670
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1974 CANADIAN TREASURY	1974	100.00	100.00	10.00	1974	1974 CANADIAN TREASURY	1974	100.00	100.00
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65	Norges Komm. Bank 75/85 (G)	102.20	7.84	1.00	7.88	9.80
66	Norges Komm. Bank 75/85 (G)	100.75	7.84	1.08	7.88	9.80
67	Norges Komm. Bank 75/85 (G)	99.35	8.02	8.81	7.22	9.80
68	Norges Komm. Bank 75/85 (G)	99.35	8.02	8.81	7.22	9.80
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Ito Yokado	USD 63	Nippon Meat Packers	USD 2.50
Jusco	USD 40	Renown	USD 2.60
Komatsu Forklift	USD 2.73	Tokyo Sanyo	USD 2.02
Kubota	USD 25½	Trio	USD 23½
Murata	USD 3.42		

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<i>maturity up to 5 years</i>				
8 % Österreich 1973/B/81	101,—	7,86	7,92	15. 2.77-81 at 101,0
8 % Österreich 1973/I/11/B/82	102,—	8,04	7,84	20.11.74-82 at 102,0 to 102,5
8 1/2% Österreich 1974/I/11/B/82	101,—	7,85	8,22	22.10.75-82 at 100,0
8 1/2% Kärnten 1975/B/81	102,—	7,59	8,43	7. 3.78-81 at 101,0 to 101,5

maturity over 5 years					
8	% Österreich 1976/S/III/B:86	100,—	8,00	8,00	22.11.83-86 at 100,0
8	% Österreich 1977/S:B:87	100,—	8,00	8,00	15. 2.82-87 at 100,0
7	3,4% Österreich 1978/III/C:86	98,75	7,98	7,85	1. 8.86 at 100,0
8	% Arlberg Straßentunnel 1977/B:85	100,—	8,00	8,00	29. 7.80-85 at 100,0
8	1/2% Wien 1974/B:84	101,25	8,01	8,40	2. 7.75-84 at 100,0
8	1,2% Energie 1975/II:B+S:85	103,75	8,09	8,19	29.10.79-85 at 103,5
8	% Energie 1977/S/III/B:86	100,—	8,00	8,00	4.10.82-86 at 100,0
8	1/2% Steyr-Daimler-Puch 1976/B:86	104,—	8,08	8,17	9. 3.81-86 at 103,0 to 104,0
8	% VÖEST 1977/B:86	99,75	8,04	8,02	15.11.82-86 at 100,0
8	% CA-BV 1976/II/A:91	100,50	7,87	7,96	7.10.77-91 at 100,0
8	% Österr. Kontrollbank Exportanleihe 1978/II,C:86	100,25	7,95	7,98	20. 6.86- at 100,0

53.4%	Alpine Montan	65/85	6	% Rep. of Austria	64/84
65.8%	Austrian Electricity	66/86	6	3.4%	Rep. of Austria
63.4%	Austrian Electricity	67/82	8	3.4%	Rep. of Austria
61.4%	Austrian Electricity	67/82	8	1.4%	Tauernautobahn
91.12%	Österreichische Kontrollbank	74/79	in Austrian Schilling (traded in US-\$ only)		

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هذه امة لاصل

The day the sparring really starts

THE BUDGET, the first major political act of the new Government, will map out the road over which Ministers and the TUC will conduct their trial strength for the rest of the year. The Budget is expected to be a genuine policy revolution, despite all the financial constraints under which the Chancellor is operating. It proposes a substantial shift from direct to indirect taxation, severe cuts in public sector wages, a new system of public sector employment through the Industrial Development Corporation, and a new system of industrial ownership, direct or indirect.

The Budget will tell the TUC at it has learned only too well that the economy is in a new management which has to manage according to its own lights. Tomorrow, the TUC's economic committee will meet to discuss the kind of campaign the trade unions could conduct against public expenditure cuts.

Five weeks of reconnaissance hand-shaking will be over, and some of the union leaders are already itching for a fight. Mr. David Bannett of the General and Municipal Workers' Union, for whom the defeat of the Government was an almost personal matter, thinks there will be a fight over jobs as intense as waged against the last Conservative Government's industrial relations legislation. The seriousness of the logical clash should not be underestimated, but nor should the unions' battle-readiness be gauged. The TUC has a long respect for Mrs. Thatcher's crusading fervour, determination to carry out

the Government's electoral mandate and the power she exerts over her ministers. (She is reported to have said that her Ministers' strength will be measured by their ability to cut expenditure not by their defence of their departmental budgets in Cabinet.) Mr. James Prior, the Employment Secretary, and Sir Geoffrey Howe, the Chancellor, are seen as the cavalry commanders executing the orders issued by Mrs. Thatcher and Sir Keith Joseph from their tent behind the lines.

The unions have had a foretaste of the new discipline already: a three-month freeze on civil service recruitment, designed to remove 22,000 posts or 3 per cent of the establishment, and an instruction to local authorities to follow suit. Both these decisions are an earnest of the Government's intent that wage awards in the public sector must be self-financing if they creep over the cash limit.

The TUC therefore recognises the strength of the adversary, even if it doesn't like the brand of economic philosophy that fires the Prime Minister and the Secretary of State for Industry. It senses that many Conservatives genuinely believe that trade union power has become overweening, while yet distrusting what it sees as a dangerous approach to industrial relations.

At the same time the TUC is aware of the trade union movement's own current weakness. Last winter's strike of the "moderates" (who in turn have been blamed by the Left for giving Mr. Callaghan the wrong advice), alienated public opinion and, as some of the unions' conference agendas show, annoyed members inside unions like the Transport and General Workers which played so prominent a part in the winter hostilities.



Trades union demonstration outside Pentonville prison in 1972 in favour of the "Pentonville Five."

Nevertheless, the Government has not been guilty of underestimating the possibility of conflict. Mr. Prior is proceeding slowly and painstakingly with his proposals for trade union reform, while Mr. Heseltine at the Department of the Environment has been cautioned for a breach of protocol by his Department in not giving unions due notice of the local government manpower freeze.

Ministers expect a difficult ride from now on. Post-budget protests about the cuts in

public expenditure will, they realise, sharpen trade union antipathy to the rest of the Administration's programme, not least the first draft of industrial relations reforms that Mr. Prior will be putting to the TUC in the next week or so for eventual translation into legal amendments by the end of the year. In the background there will be anxiety about the rate of inflation—fuelled by the recent batch of price increases triggered, in the view of the unions, by the death of the Price Com-

mission, the impact of the Budget on the retail prices index and the continuing increase in the price of oil. Pay claims for the winter, traditionally set at the summer delegate conferences of the unions, will take into account not only the rate of price inflation but also the "generosity" of the Government in agreeing, in full, the recommended rises due to highly-paid public servants, doctors, the police and the armed forces. The claim drawn up by British Oxygen

shop stewards is a good illustration of this kind of thinking. They are looking for £25 a week, or about 30 per cent, which they say is "non-negotiable." And they justify this claim by pointing to the Top Salaries Review Body awards, the eventual possibility of a pay freeze, and the fact that British Oxygen, as one of the first private sector deals in the wage round paid less last year than other companies which followed it.

If the Clegg Commission is generous to those public service workers sent to it by the last Government—though there is no reason to think it will be—that could have an effect, too. But unions may choose to regard those awards as being special treatment for the low-paid.

The present Government is doing nothing to encourage trade union hostility. As Mr. Len Murray, TUC general secretary, conceded after the last meeting of the TUC general council, the Conservatives are avoiding "some of the grosser errors" of the Heath Administration. By that he means the unions are not being presented with a fait accompli as they were when Robert Carr launched his Industrial Relations Bill. The TUC also recognises that the Government does not intend to be radical in its industrial relations reforms: it is not trying to restore the Labour Court nor the special resister of trade unions. But it believes the effect of the proposed changes could be to bite deeply into historic trade union legal immunities.

The Government has undertaken to legislate against "secondary picketing." But under that heading it includes all secondary industrial action, like the boycotting and blacking of employers or goods not immediately involved in a dispute. That raises not just the question of behaviour on

the picket line—something that could be treated on its own—but what the trade unions see as an historic right, hard won, to employ economic sanctions of diverse kinds to bring direct or indirect pressure to bear on an employer without facing an enormous bill for damages.

Mr. Murray and the chairman of the TUC's employment policy and organisation committee, Mr. Harry Urwin, of the Transport Workers, have told Mr. Prior to think very carefully indeed before moving into this sensitive area of industrial relations.

Most delicate

To some extent that warning is redundant. Mr. Prior has seen it all before. He knows that this, and the closed shop, are the most delicate parts of his brief, whereas the provision of public money for secret ballots is merely hortatory and the proposal to limit welfare payments to strikers' families has been dropped, at least for the moment, from the agenda.

No-one can accurately predict how the medicine will go down. Some parts of the programme—reintroduction of the "conscience clause" for closed shops, for instance—might be implemented without a murmur because they already concur with general trade union practice. The danger is quite simply that the Government can scarcely avoid creating a political atmosphere that is potentially inflammable. The lightning spark could come from almost anywhere.

Mr. Prior has the time to compromise, if he wishes to, in the face of implacable TUC opposition to legal remedies. But there is no evidence at the moment that he is ready to compromise—nor does the TUC really believe he can be persuaded to do so—on what he maintains as "modest but

vital" legislative amendments. The TUC will not stop arguing on that account. The question is whether, at the end of all the consultation, it merely registers a failure to agree or whether it organises a campaign against the new laws.

That could mean anything from marches and rallies in Trafalgar Square and Westminster to one-day strikes or something even worse. It depends whether the TUC will be furnished with a cause célèbre (like the jailing of the Pentonville Five). The TUC is normally shy of involving itself in campaigns about wages or supporting individual disputes. It prefers the role of mediator and peacemaker. But over matters of law it is certain to give a lead: after all, lobbying Parliament for legislation favourable to trade union organisation and workers' conditions was one of the functions for which the TUC Congress was created in 1888.

As for wages, the Government seems determined to give private sector free collective bargaining a full trial in spite of Whitehall pressures for some kind of formal income control and warnings about a pay freeze. There will be no Government interference when the 20 per cent plus pay demands are slapped in. If this looks like insouciance, it has a reason. Ministers believe that the Government's fiscal and monetary policies will have a far greater influence on the conduct of bargaining than the commentators allow.

There are, then, three areas of potential conflict: jobs, wages and labour law. At this stage, the beginning of a new chapter in union-Government relations, it would be wrong to take the battle cries too literally. But there can be no doubt that the union activists and some union leaders are waiting for an opportunity to do battle.

Letters to the Editor

Time has been telescoped

Mr. Elizabeth Young
In *Elizabeth Young*, Mrs. Thatcher's supporters have understood—like the idea—that the "time" is going to restore leadership to our planning-biased era. But where will she take these true health-giving kits?
Daniel Vargis, of the Harvard Business School, has said: "Time has been telescoped. The energy of 1985 is here in 1979. It is contained?" Not if we consumers, Organisation Economic Co-operation and Development members, and we decide to rely simply on operation of the market. He speed with which a argument learns what it has forgot, is one test of its lity. Mrs. Thatcher is being to this test now.
r to put it another way, naps she needs to scan the cy market for a better one i she's got?
Beth Young,
Baywater Road, W2.

Priceless oil

Mr. W. Cooper.
If one is allowed to continue your advertisement, I would like to take the opportunity of congratulating Mobil on its advertisement which appeared June 6. In posing the question: "What's oil really worth?" it is beginning a public debate which can only end in one of two ways: a realisation of the uniqueness of oil and its contribution to our civilisation; or a continuing ignorance of this fact which will ultimately lead to disaster.
We still do not seem to have learned that the "economic necessity" which consumes irretrievable quantities of oil, really only another way of describing the entropy process by which "free" energy is lost by man. The conclusion is that out of a finite stock of "low entropy" we can use, it cannot be used.
Thus all resources—like oil which "subsidise" our industrial civilisation—are really beyond use. It is only because oil is so vital in so many areas of our economy that it is perhaps amount in importance. So, Mobil quite rightly says: "In a sense, it's a priceless commodity." Well done, Mobil!
Anton A. Cooper,
Jannore, Raleigh Drive, Uxbridge, Essex, Surrey.

Third London airport

on the Chairman
Strategy Development Society
Sir,—With a Channel Tunnel ere would be no need for a third airport and not one of e threatened areas would e environmental damage. ne main advantage of the ne would be that, as part of electric railway system it could not be dependent on oil. any case air travel may have e curtailed because of the ture world shortage of hydro- rbon fuels.
V. Banks,
1, Ashford Road,
Tarsis, Nr. Maidstone,
Kent.

Paying for top jobs

From the Treasurer,
Nottinghamshire County Council
Sir,—I was encouraged to read your editorial (June 6) welcoming the decision of the Government to go some way towards striking down some of the "moderates" (who in turn have been blamed by the Left for giving Mr. Callaghan the wrong advice), alienated public opinion and, as some of the unions' conference agendas show, annoyed members inside unions like the Transport and General Workers which played so prominent a part in the winter hostilities.

Local government, a major part of the public sector, has however still to acknowledge the validity of claims made by chief officers in local government service for restoration of a proper level of pay. Local government, if it is to remain an integral part of our democratic institution (and not become an agent of central government or part of the civil service) needs now and in the future a high calibre of chief officer which it will not obtain if it is not prepared to pay comparable salaries. Salaries of chief officers in local government have fallen badly behind their peers in the civil service and other public sector institutions in the past five years. In comparison even with salaries in the higher echelons of the education service (which itself is administered as part of local government), chief officers are well behind.

Chief officers—the treasurers, engineers, secretaries, education and social services directors, etc.—have a separate negotiating body, which has the authority to restore parity for its chief officers' pay. Their pay has for long been restricted by pay policy restraints and the demands of the main body of local government employees (the majority belonging to the National Association of Local Government Officers) for minimum salaries, shorter working weeks and more leave, none of which have any relevance to the unattended hours and service given by chief officers. Morale among chief officers is low—what is needed is a restoration of differentials with true comparability with other public

Representation of the people

From Mr. N. Travers
Sir,—The European poll may have been about all sorts of things, but the figures you included with the article of June 7 show that it was certainly rigged, mainly against us and the Germans.
My table shows (a) the figures you published for seats allocated to each country in the European Parliament, and (b) the number of constituents per member. From these I have calculated (c) total population

	A	B	C	D	E	F	G
UK	51	629,049	56,056,000	19.5	21.6	89	+ 8
Ireland	15	205,733	3,086,000	3.7	1.2	5	- 10
Belgium	24	407,167	9,772,000	5.9	3.3	16	- 3
Luxembourg	6	59,500	357,000	1.5	—	1	- 5
France	51	663,951	53,780,000	19.8	20.8	85	+ 5
Denmark	16	315,750	5,052,000	12.3	2.0	8	- 8
Netherlands	25	538,000	13,450,000	6.1	5.2	21	- 4
Germany	51	765,938	62,041,000	19.8	24.0	96	+ 17
Italy	51	683,469	55,361,000	19.5	21.4	88	+ 7

sector posts. Local government's current cry is value for money—let it also consider for once money for value. The service will undoubtedly benefit.
C. E. Daniel,
Chairman, Officers' Side, Joint National Council for Chief Officers in Local Government, County Hall,
West Bridgford, Nottingham.

Tehran-Tabriz railway

From the Managing Director,
Transmark
Sir,—The article (June 4) on the present state of Iran's industrial plans gives a misleading picture of the position regarding the project for the electrification and doubling of the existing railway between Tehran and Tabriz, as its present status is described as being "suspended."
Transmark is acting as design consultant to the Iranian State Railways and throughout the recent period of unrest we have maintained an office in Tehran. Contact with officials of Iranian Railways has been unbroken and work has been continuing. Formal indication has recently been received to the effect that the contract being undertaken by Transmark will continue to completion.

The railway forms the main link between Iran and Europe and is clearly of major importance to the future of the country.
K. V. Smith,
Transmark,
International House,
62-72, Chiltern Street, W1.

Cost of VAT collection

From Mr. J. Hancock
Sir,—On being a zyder drinker so I was interested to read Mr. Lyburn's letter (June 6) on the cost of collecting VAT, to which I am unfortunately subject. A farmer friend, who still makes the real stuff, and from whom I get most of my tipples, recently gave me an example not only of the cost of VAT collection but of the cost of collecting excise duty as well. He makes about 5,000 gallons a year and periodically gets two callers to check his liability to

the second last column presents the number of seats that should have been allocated to each country on a proportional basis (allowing for the sake of charity, one seat to Luxembourg—even though Luxembourgers only account for 0.4 per cent of the total EEC electorate). The final column shows how seats should be reallocated if the Parliament were fairly to represent its constituents.
I think the figures speak for themselves.

	A	B	C	D	E	F	G
UK	51	629,049	56,056,000	19.5	21.6	89	+ 8
Ireland	15	205,733	3,086,000	3.7	1.2	5	- 10
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tax—one from the VAT-man and another from the Excise man. Quite logically he one day posed the query as to why it was not possible to arrange for one officer to do both jobs at once, only to be told that such a procedure was not feasible since both functions came under separate departments!
On a more sober note I recall, some 15 or so years ago, attending a conference at which all aspects of value added tax were discussed. In reply to a questioner as to how many extra civil servants would be required to collect this new tax it was stated by an official from the platform that the then current estimate was about 2,000. I now gather that the present number of "extras" employed amounts to around 7,000-8,000 officials. Certainly Mr. Lyburn does well to remind us of the burden falling on the unpaid collectors, who probably outnumber the paid officials anyway. Perhaps the Government will find some scope in this area for reducing the number of civil servants, but I have my doubts.
John C. Hare,
Court House Lodge,
Witchcombe, Teunton,
Somerset.

Closures in the regions

From Mr. D. Crompton
Sir,—Your report (June 6) about company closures in the regions suggests that companies moving into the regions have a significantly worse chance of survival than those moving into the Midlands and south east.
It is of course dangerous to comment upon the Scottish Office survey without having seen it but I wonder to what extent the picture is distorted by the use of words such as "companies" and "moving" when it would often be more correct to say "branches" or "opening in new premises." Very few companies close down and move lock stock and barrel into a new region. What usually happens is that, in a period of expansion, a company in, say, London will open a new branch in the regions and if the company is subsequently faced with a worsened economic situation, it will close down the branch regardless of whether it is more or less "efficient" than the main factory.
It seems likely that the Scottish Office study is based on the Department of Industry's Record of Openings, which needs to be handled with great care if we are studying "real" movement. Possibly because of regional policies, very few companies have moved into the Midlands or the south east in recent years. I suspect that many of the "new ventures" in these regions, which are said to have a better than average survival rate, are nothing more than existing companies moving their main factories into new premises in the same area, and if these "moves" do not survive none will.

Some of the regions may have disadvantages, but any conclusions about the relative merits of the regions, which are drawn from studying the closure rates in different regions, must be tentative. At least until the policies of large south-east-based companies with branches in the regions have been taken into account.
D. Crompton,
4 Manor Green,
Stratford-upon-Avon.

Today's Events

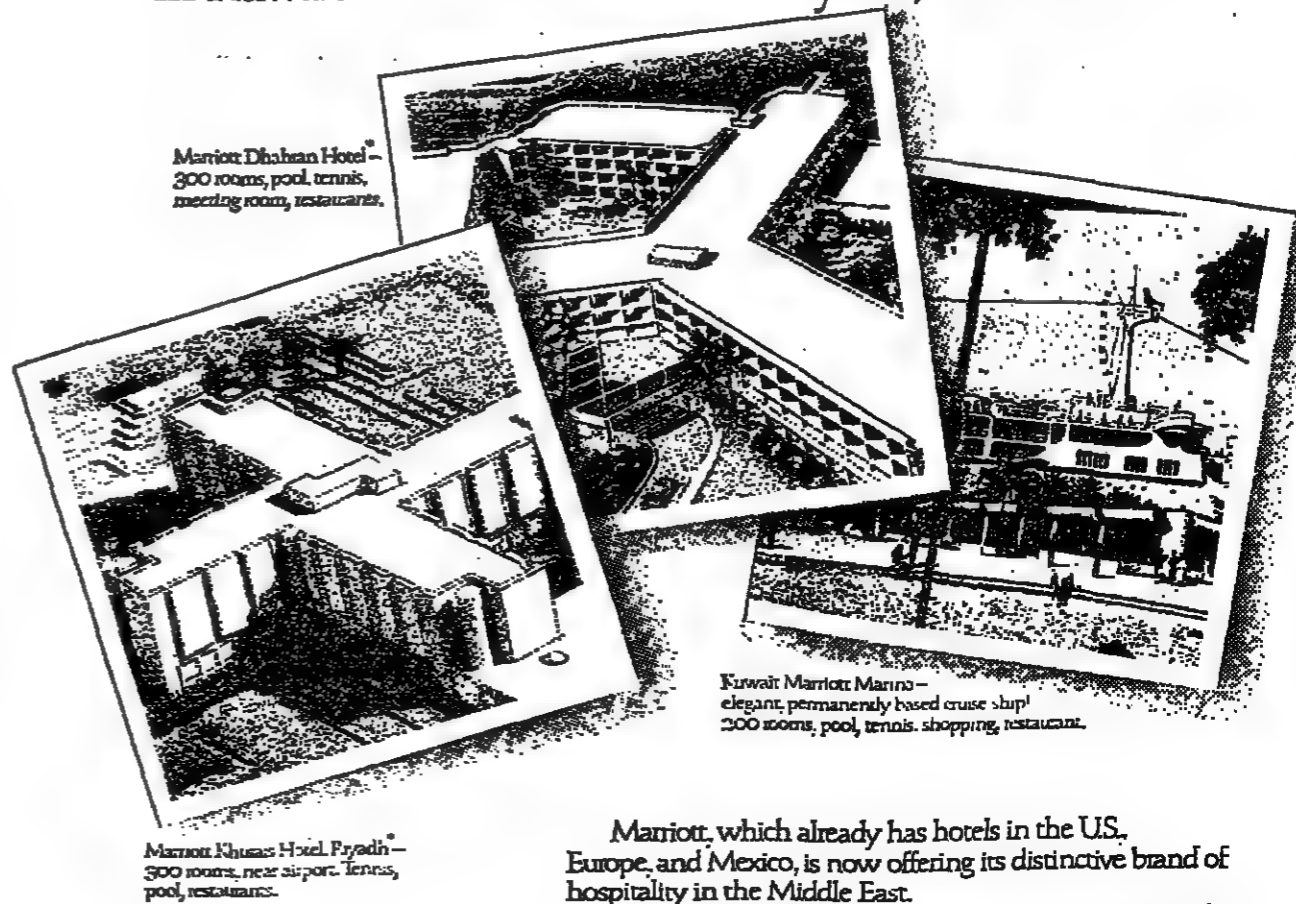
U.K.: Budget Day.
President Moi of Kenya starts three-day official visit. Sir Murray Macleod, Hong Kong Governor, arrives in London to discuss refugee problem.
Sir John Cuckney, PLA chairman, speaks on the future of the Port of London to the International Cargo Handling Coordination Association (UK).
Amalgamated Union of Engineering Workers policy making national committee hears employers' pay offer.
Overseas: EEC Foreign Ministers meet in Luxembourg.
President Ayala of Colombia starts three-day visit to Paris.
West European aviation authorities meet in Zurich to discuss rounding of DC-10 aircraft.
Singapore Prime Minister Lee Kuan Yew in Bonn for talks on EEC economic links.
OFFICIAL STATISTICS
Building Societies' receipts and loans for May.
PARLIAMENTARY BUSINESS
House of Commons: Chancellor of the Exchequer presents Budgets. At 7 pm opposed private business: Greater London Council (General Powers) Bill, second reading.
House of Lords: University College London Bill, third reading. Industrial Levy (Engineering) Order, motion for approval. Debate on 19th report of last session of EEC on CAP price proposals for 1979-80.
COMPANY RESULTS
Final dividends: Allied Breweries, Associated Newspapers Group, Associated Investment Trust, British Benzol Carbonising, Channel Tunnel Investments, Daily Mail and General Trust, G.E.L. International, Hill Samuel Group, Johnson Matthey and Co. Interim dividends: Allied Breweries (second interim), Archimedes Investment Trust, Bertrams.

COMPANY MEETINGS

Avery, Smethwick, Warley, West Midlands, 12.15. Bunt Pulp and Paper, Great Eastern Hotel, Liverpool Street, EC. 11.30. City Discount, 1 Royal Exchange Avenue, EC. 12. European Ferries, Connaught Rooms, Great Queen Street, WC. 11.30. Hoversham, Nottingham, 12. Oxy Printing, 55, Conduit Street, W. 12. United Newspapers, 23-27, Tudor Street, EC. 12. Ward White, Berkeley Hotel, Knightsbridge, W. 12.

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UK COMPANY NEWS

A. B. Foods at £78.9m
after static second half

A SLIGHT fall from £45.6m to £45.2m in the second half left taxable profits of Associated British Foods at £78.9m for the year ended March 31, 1979, compared with £77.6m previously.

Mr. G. H. Weston, the chairman, describes the year as one of mixed success, with very satisfactory profit improvements from overseas and retail divisions being offset by the effects of this winter's industrial unrest in the UK, which widely and diversely affected manufacturing operations.

UK operating divisions achieved "creditable" results with trading profits of £47.4m against £47.7m. The manufacturing result was £2.9m lower at £36.1m, but this was largely offset by a £2.6m increase from the retailing side.

Trading results of overseas activities rose by £3.1m to £44m, improved results being achieved in all areas including Australia, New Zealand, South Africa, Europe and Eire.

Worldwide sales increased by £144m to £1,829m, but this was after taking into account reductions of £45m for currency revaluation and £57m following the sale of Alliance Wholesale Grocers in June, 1978. If adjustment is made for these factors, UK sales rose by 20 per cent and overseas sales by 14 per cent in terms of local currencies.

The chairman says the small improvement in overall profitability does not adequately reflect the strengthening of the group's competitive position during the year at home and overseas, or the extra effort that gave most of its operating divisions a very satisfactory sales increase.

Although competition remains intense in the wide areas of the food industry in which it operates, the group continues to im-

HIGHLIGHTS

Results published yesterday by two major companies were disappointingly flat. Metal Box lost £5m through the winter disruption and thus suffered a setback in the second half of the year. Lex looks at the likely trends in can production and highlights a more promising performance in the central heating division. Lex examines the results from Associated British Foods and finds that bread production was a problem area and the overall results were some way below expectations. The column also considers the probable recovery in institutional liquidity and makes the point that current levels are set to fall as the Government funding programme is restarted. Elsewhere, Thorn has made a significant investment in France.

prove its competitive strength at home and overseas, Mr. Weston states.

Given some lessening in industrial unrest which adversely affected margins last year, he believes the group can look forward to satisfactory profit growth in the current period.

The 1978-79 pre-tax result was £114m higher at £125.5m, with a £2.2m increase overseas partially offset by a slight reduction in the UK.

A second interim dividend of 1.7003p (1.5226p) lifts the total net payment from 2.3161p to 2.5864p per 5p share.

Once again, a heavy investment programme in renewing fixed assets has been maintained and capital expenditure was up from £71m to £90m.

Last year, the group increased its borrowing by £1m in the UK, after covering £50m capital expenditure and a £2m rise in working capital. Borrowings were reduced by £10m. Overseas borrowing was up £11m and capital expenditure totalled £35m.

At the year-end, net assets stood at £481.3m compared with £452.4m a year earlier. The company is controlled by Whittington Investments.

See Lex

SCOTTISH
NORTHERN

Scottish Northern Investment Trust has renewed its \$3.5m loan from Clydesdale Bank for three months with effect from June 6, 1979. The interest rate is 12 1/2 per cent.

Dundonian finishes 61% higher

A 61.64 per cent increase in taxable profits in reported by Dundonian, the public services, energy conservation and natural resources concern. Pre-tax profits expanded from £185.495 to £315,093 in the year to March 31, 1979, on turnover well ahead at £1,841m, against £828,517.

At mid-year, the surplus rose to £115,888 (£80,542), and the directors expected a substantial increase in full-year results.

Mr. Max Levinsohn, chairman, says the current year has started well and prospects look promising. Recent acquisitions have considerably broadened the group's base.

A strong balance sheet has been developed with low gearing and shareholders' funds now in the region of £31m. The directors intend to place some emphasis upon achieving further substantial earnings growth by internal development and through new acquisitions.

After tax of £45,117 (£25,370), earnings per 20p share are

shown some 80 per cent higher at 5.31p (3.54p). The net final dividend of 0.8p raises the total from an adjusted 1.42p to 1.5p.

The directors say that, if the restrictions are lifted, they will reconsider their dividend policy.

comment

Dundonian is a company to watch. It has promised big things in the recent past and it appears to be delivering them. Superficially the turnover has almost trebled in a year and the pre-tax profit is 62 per cent ahead of 1977-78. But roughly half the latest turnover comes from subsidiaries acquired during the year, as does a sizeable chunk of the higher profits. A finance company and an insurance company, the new subsidiaries seem to fall into the public services sector of group activities and emphasize a high standard of service (which includes the traditional funeral services) to group assets, profits and turnover. The main

product of the energy conservation division, the G-3 system, is something of a disappointment. The company has extolled its virtues in past annual reports but there is little turnover or profit contribution to date. The minerals division, based on tin and tungsten prospects in Cornwall, has absorbed some £480,000 in exploration and development expenditure. Some of this has been recovered from the Government and the remainder has been raised by selling off a stake in the operating subsidiary, South West Consolidated Minerals. Expenditure has been capitalised and it could be some time before the company receives positive cash flow from the projects. The shares were unchanged at 46p yesterday giving a p/e of 8.5 on published earnings and a yield of 5 per cent. The company has good prospects for above average profit growth but there are also above average risks. An interesting stock for speculators.



Sir Alex Page, chairman of Metal Box, at the Acton factory where two-piece beverage cans are produced. The group makes over 7bn cans a year at 14 factories.

DIVIDENDS ANNOUNCED					Total last year	
	Current payment	Date of payment	Corresponding div. year	Total last year		
Ariel Inds.	1.42	Sept. 3	1.27	2.25		
A. B. Foods	1.7	Aug. 3	1.52	2.59		
Blyvoor	65	July 26	4.4	6.8		
Calways	4.8	July 26	4.4	6.8		
Craig & Rose 2nd int.	24.3	July 2	21.87	23.97		
Dundonian	0.8	Aug. 3	0.75	1.5		
Durban Deep	40	Aug. 3	nil	50		
East Rand Prop.	10	Aug. 3	nil	10		
Homfray	nil	July 30	1.31	3.13		
Metal Box	10.72	July 30	8.27	18.99		
Prop. & Reversionary	4.22	July 30	3.16	8.22		
Reabrook Inv. 2nd int.	0.84	July 9	1	1.85		
Sidlaw	1.5	July 26	1.5	6.72		

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Gross throughout. § For 10¢ months. ¶ South African cents throughout.

Ariel Industries rises
to record £813,000

TAXABLE PROFITS of Ariel Industries, industrial fasteners, light engineering products group, advanced to a record £812,849 for the year ended March 31, 1979, against £783,309, following a slight increase at mid-year from £325,900 to £328,600.

The dividend is raised to 2.382p net per 25p share compared with 2.137p with a final payment of 1.417p.

Turnover was ahead at £4,78m (£4,33m) and the pre-tax figure was subject to tax, lower at £88,730 (£84,131).

There was a £85,868 provision, last time, for the loss on sale of the South African operation.

At the year-end the amount

retained was £801,189 (£805,269). Tax was limited as a matter of principle to reflect only that liability which may arise. The directors intend to ensure that the long term investment and stock holding policies are consistent with this principle.

comment

In a difficult home market, Ariel's prospects appear to be increasingly reliant on its export division which accounted for over a third of turnover last year. The value of goods exported rose to some £2m against £1.88m previously, with Europe again the main target. Overall, pre-tax profits are some 4 per cent higher after a flat first half hampered by slack domestic demand. Last year, capital expenditure was raised to over £1m (£759,000) for the modernisation and expansion of its factories but what may prove interesting is the move through Thomas Hunter, into food production by the NPT (nutrient film technique) method. The group has so far injected some £650,000 into this project and operations have started, which may make a significant contribution to future profits. The shares were unchanged at 85p yesterday on a yield of 9.7 per cent and a fully taxed p/e of 5.6.

Craig and
Rose ahead
to £328,000

Pre-tax profits of Craig and Rose, paint manufacturer, increased from £252,481 to £328,197 in 1978, on turnover of £4,04m compared with £3,33m last time.

At the halfway stage, the surplus was up from £80,547 to £117,391.

After tax of £172,882 (£132,051), earnings per 5p share are shown to have risen to 151.82p (116.93p). The net total dividend is stepped up to 28.402p (23.97p), with a second interim of 24.302p in lieu of the final.

ICI Australia
earnings
rise 9.9%

Better trading conditions in Australia and New Zealand enabled Melbourne-based ICI Australia to push up earnings 9.9 per cent from \$19.7m to \$21.6m in the six months to March 31, 1979.

However, costs proved a problem with sales outstripping profit with a 17 per cent gain to \$442m, while the pre-tax figure was up 33 per cent to \$40m. The group is to pay a steady dividend of 7 cents a share.

The main profit contributors were ICI New Zealand and paint offshoot, Dulux Australia. NZ operations achieved a 62 per cent improvement to \$2m while Dulux—aided by the introduction of several new product launches from the motor sector and better demand in the building industry—made a 124 per cent leap to \$1.8m.

However, the directors say almost all of the group's products, including plastics, commercial explosives, heavy chemicals and synthetic fibre, enjoyed improved market demand.

Non-trading revenue was down from \$8.04m to \$5.85m because of reduced interest on surplus funds as major capital projects—a \$60m polypropylene plant in Sydney and a \$36m PVC plant in Melbourne—near completion.

Haulage strike cuts back
Metal Box in second half

A SECOND half fall from £30.73m to £26.86m left taxable profits of Metal Box £24.5m ahead at £58.23m for the year ended March 31, 1979.

Sir Alex Page, chairman, says that but for the road haulage strike, UK profit, which amounted to £36.51m against £34.34m, would have been £5m more.

Overseas profit was £21.59m compared with £20.42m. Outlook is more difficult than usual to predict, he states. There is scope to improve efficiencies and therefore profit, even if sales—up from £807.5m to £922.6m for the year—do not increase dramatically.

Given the wide spread of business throughout the world with the new ventures in the U.S., he is satisfied the group is well set on a forward course.

On capital increased from last November's one-for-four rights issue, earnings are shown as 57.3p (61.8p) per £1 share, and as forecast, the dividend is stepped up to 18.09p (14.914p) net with a final of 10.72p.

Sir Alex says that Ideal Steirad, boiler and radiator business, together with other engineering businesses, is progressing well; they now constitute some 25 per cent of earnings

of the UK business and significant expansions are taking place. Overseas in general the company had a good year. The Indian company is now "extremely busy and achieving a good performance."

Also during the year, major investments were made in the U.S. Metal Box-Standun was established to supply Pepsi-Cola cans—a factory was erected and can manufacture began in Los Angeles in less than twelve months.

And, the Risdon Manufacturing Company, a manufacturer of packaging for cosmetics and other specialty packaging, was acquired by Metal Box.

Expenditure on fixed assets in the year, at home and overseas, came to £93.7m, which included £26.6m on acquisition.

Sir Alex says that, on top of the road haulage strike, stopping movement at the group's own factories and at customers' factories, production was also thoroughly "dislocated" by the tinplate suppliers, "and was not straight yet."

There has been no great urgency to stop up food can supplies because of good stocks around the country but he hopes

in the current year the group will reap some benefit of "what was undoubtedly the clearing of stocks in the shops."

He expects the Los Angeles canning plant to be into production by the last quarter of 1979. The Risdon acquisition did not make a contribution last year, he states, and is under development, but he sees potential to expand into consumer packaging—Risdon's specialty outside the U.S. at some stage.

The chairman points out that the UK central heating option did particularly well, moving up from around 18 per cent, UK profits to 26 per cent, as is with the upgrade.

Metal Box is still looking around for expansion in Europe, he says, and hopes something might materialise this year. In general terms it is not actively looking for diversification outside its original business.

Extraordinary items for the year are largely currency conversion losses on overseas assets. Overseas tax was up large, because India moved into tax profit, after paying little tax the previous year, and tax rates were increased in a range of overseas countries.

See Lex

Homfray falls to £0.29m

DESPITE a £104,000 turnaround to a £73,000 profit in the furniture fabrics subsidiary, taxable surplus of Homfray and Company, carpet manufacturer, slumped from £643,000 to £290,000 for the six months ended March 31, 1979. Profit for the previous year had fallen from £1,73m to £1,06m.

Sales for the six months were down slightly to £20.29m (£20.98m) and the directors say that prospects for the summer months are not encouraging. And they are passing the interim dividend and postponing any payment until results for the full year are known—last year's dividend totalled £1.125p.

Further re-equipment plans are being finalised, they add, involving significant capital investment which will improve productivity, and enable the company to compete profitably in both the UK and world markets.

Both sales and profits of the European carpet group, after an encouraging first quarter, fell well below the figures expected for the six months period. Sales in the UK were severely curtailed due to the bad weather and the effects of the transport drivers' strike, directors say.

Exports, normally about 30 per cent of sales from the UK, were hit particularly hard by the

action of pickets and normal repeat orders did not materialise in subsequent months.

Of more significance is the competition, now being experienced, for the first time to any serious degree, from U.S. carpet exports, they state, not only to the group's traditional overseas markets but also in the UK.

As foreseen in February, the trading results of the Australian companies were adversely affected by a large volume of carpet imported into Australia from New Zealand and Canada.

comment

It is difficult to extract any comfort from Homfray's first half results, which reflect losses in

the second quarter. For the six months profits are 55 per cent lower, the interim dividend has been passed and the company is far from optimistic about the rising value of sterling slashed export margins in competitive overseas markets. Thus the lorry drivers' strike locks up exports for at least six weeks after which repeat orders were more difficult to sustain. All this was compounded by equally difficult trading conditions at home where Homfray is struggling to hold its share in the lower medium and of the carpet market. The company has sufficiently a strong balance sheet to weather any short term difficulties but clearly, the company is banking on improvement in demand and consequently margins, over the medium term to arrest the profits slide. The shares fell 5p to 30p where the market capitalisation is \$4.7m.

DUCKWARI PAYS
PREF. DIVIDENDS

Having received a remittance from Sri Lanka, the directors of Duckwari Tea and Rubber Estates say the dividend on preference shares for the four years to September 30, 1974, will be paid to shareholders forthwith.

Fine Art Developments

-mail order and greeting cards-

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CONTINUOUS GROWTH

"... current sales trends and prospects are encouraging and I am optimistic that we shall have yet another successful year..."

F. R. KERRY, Chairman

Year ended 31st March	1979	1978
	£000's	£000's
SALES	48,430	41,869
PROFIT before tax	5,543	4,721
DIVIDENDS per share	2.049p	1.835p
EARNINGS per share	5.907p	4.684p
EARNINGS per share (without provision for deferred tax)	8.928p	8.711p

Fine Art Developments Limited

The 1979 Report and Accounts are available from the Secretary at Fine Art House, Queen Street, Burton upon Trent, Staffordshire, DE14 3LP

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Payment will be made upon presentation and surrender of said Debentures with coupons due on and after May 1, 1980 attached at the main offices of any of the following: Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York 10015; Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London and Paris; Banca Vorwiler & C. S.p.A. in Milan; Bank Mees & Hope NV in Amsterdam; and Kredietbank S.A. Luxembourg.

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Dated: June 12, 1979

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MINING NEWS

New Australian move may help Pancontinental

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIA'S decision to allow "in certain circumstances" a reduction to 50 per cent in domestic ownership of uranium resources—from the normal requirement of a minimum 75 per cent—could have an important bearing on the big Jabiruka development in the Northern Territory.

This is because a 35 per cent stake in the deposit is held by Getty Oil of the U.S., the remainder being held by Australia's Pancontinental, reports Andrew Clark from Sydney.

The relaxation announced over the weekend will allow the go-ahead for the 46,000 tonnes

uranium deposit at Yeelirrie in Western Australia.

It is owned as to 75 per cent by Australia's Western Mining while Esso Exploration has 15 per cent and Germany's Uranengesellschaft the remaining 10 per cent.

But Esso is to provide a further 35 per cent of the A\$400m (£213m) development costs and take an additional 35 per cent of the product.

The Australian Treasurer, Mr. John Howard, said that if Australian capital could not be obtained for uranium projects

which were of "significant economic benefit" to Australia and in

which local participants retained the major role in determining policy, the 75 per cent rule could be relaxed.

Although Mr. Howard did not specifically mention Jabiruka, which has proven reserves of 207,000 tonnes of uranium oxide, the company is believed to be privately confident that the present division of ownership will be allowed to remain.

Under long-standing arrangements, Getty proposes to supply all development costs in the form of loans and pre-paid purchases of uranium oxide. Pancontinental shares, however, eased 13p to 737p yesterday.

Spain speeds uranium search

TWO MINING consortiums have been set up in Spain to explore what are thought to be commercially viable uranium deposits, writes David Gardner in Madrid.

The main feature is the mixture of private and public Spanish capital, in association with two U.S. companies.

In the first consortium, for which Government approval was granted last month, the State participates with 40 per cent through the Junta de Energía Nuclear (JEN). A subsidiary of the Banco de Bilbao holds a further 20 per cent, with the remaining 40 per cent held by Chevron Resources, a subsidiary of Standard Oil of California.

Initial investment in exploration amounts to a minimum \$13.5m (£6.5m), 80 per cent of which will be put up by Chevron and the remainder by Bilbao. The State is obliged to reimburse this outlay only if uranium is discovered in commercial quantities. The State's holding then passes into the hands of the Empresa Nacional de Uranio

(Enusa), controlled by the State holding company, INI.

Hitherto, Enusa has had the sole uranium mining licence in Spain, but this is circumvented by obliging the consortium to

mine to Enusa.

The second consortium has been set up on almost identical terms. The JEN will this time hold 45 per cent, Enusa through Exson Mineral Spain holds a further 45 per cent, with the remaining 10 per cent put up by Petroleros del Mediterraneo (Petromed). The initial investment will be worth \$25m (£12.1m) with Enson putting up the lion's share.

The larger initial outlay reflects the greater area to be covered, some 20,000 square km in the central northern provinces of Leon, Castilla La Vieja, and Aragon. The Chevron consortium will concentrate its efforts in a smaller area of some 8,500 sq km, at Vich between Barcelona and Girona, and at Villanueva, near Cáceres, alongside the Portuguese border. Both concerns are optimistic

that their exploratory work will yield substantial finds, and both companies have committed money on less than generous Spanish terms to prove it.

Spain itself is beginning to devote increasing resources to uranium exploration, particularly in view of the country's ambitious nuclearisation programme. Enusa last year produced 129 tonnes of uranium oxide, a slight dip on 1977's production of 132 tonnes. Proven reserves amount to 9,500 tons of uranium oxide with a further 11,000 tons of unconfirmed reserves.

UK COMPANY NEWS

Newman set for big buying spree

FURTHER ACQUISITIONS should enable Newman Industries to take a major step forward in 1979, Mr. Alan Bartlett, the chairman, forecasts. The group is currently evaluating a number of possible purchases.

"We now have substantial resources which we intend to put to good use both in this year and the medium term future. As a result our trading achievements should continue to grow," he says.

In February last year Newman acquired a 31.25 per cent interest in and an option on the remaining 68.75 per cent of Ardel International for which, on completion, it expects to have paid £10.24m. Consolidation of this purchase enabled the group to finish 1978 with taxable profits up from £4.01m to a record £6.22m on sales of £70.8m (£45.13m).

At year end capital employed was more than doubled at £37.89m (£18.74m). Total borrowings were ahead to £19.22m, against £9.07m, and it held cash amounting to £2.32m (£96,000).

Mr. Bartlett points out that the group has increased its presence across the world through a sizeable rise in the number of overseas subsidiaries. In the U.K. its manufacturing investment programme has been maintained and the company looks forward to benefits from the improvement in production technology and capacity.

In 1978 the group's products were sold in 128 countries:

"Even where substantial markets, such as Nigeria, suffer setbacks, we are able to absorb their effect and prepare for inevitable recovery," the chairman observes.

Turnover and operating profit of £6.29m, last year was split as to mechanical engineering £16.52m and £1.6m; electrical £13.4m and £1.2m; foundries £3.92m and £1.17m; potteries £10.89m and £0.31m; and international trading £31.06m and £1.48m.

Capital commitments at December 31, totalled £1.26m (£0.82m) of which £0.6m (£0.36m) had been authorised but not contracted.

Meeting, Bristol, on July 4 at noon.

Lawrie Plantation forecasts £2m

The directors of Lawrie Plantation Holdings state that the final results of the tea operating company for 1978, including the results of Joka India for the year ended March 31, 1978, are expected to show a reduction on the 1977 season.

The profit after tax of the group for 1978 is expected to be some £2m.

CHURCHBURY

Churchbury Estates' listing has been restored following the announcement of Board changes.

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Guyana commissions bauxite mine

A NEW £30m bauxite mine has been commissioned by Guyana Mining Enterprise (GME) in the first major expansion of the country's mining industry since it passed into state hands, reports our Georgetown correspondent.

The mine will boost national output of calcined bauxite, over which Guyana has a near world monopoly. Reserves are estimated at 50m tons and are expected to last for 40 years.

Work on the new mine started five years ago, not long after the Guyana interests of Alcan were nationalised in 1971. Some 15m cubic yards of overburden were cleared to a depth of 200 feet before the mine was commissioned.

Initially about 12 per cent of Guyana's calcined bauxite output will come from the new mine, rising to about 50 per cent by 1988. The mine is intended to replace existing properties as they become exhausted.

The commissioning comes at a time when preliminary studies have revealed that Guyana's bauxite reserves may be much larger than previously suspected. The studies indicate that billions of tons of laterite material, including commercial grade bauxite exist over the 15,000 square miles of the Pakaraima Plateau in the west of the country.

An attractive feature of the patches of commercial grade bauxite, which have been proven in limited tests, is that the ore is on the surface and there is no need to invest in equipment to remove the overburden.

But Guyanese officials warn that a great deal of exploration and evaluation are necessary before concrete results are available. They add that the techniques for investigation will have to be very different from those used in the traditional Guyana bauxite belt where reserves are adequate for between 40 and 50 years at the current consumption rate of about 4m tons a year.

thanks to the high price of cobalt and the group's increasing production of the metal. Stainless steel production capacity is to be increased to 80,000 tonnes from 50,000 tonnes and more marketing subsidiaries are to be opened in the main export areas.

Amoco ponders Detour gold

AMOCO CANADA PETROLEUM is studying its options for development of the Detour Lake gold prospect in Ontario following a feasibility study which produced higher capital cost estimates and lower mineable ore reserves than expected, reports John Seganich from Toronto.

At one stage it was thought that the remote Detour deposit could be developed into Canada's largest gold mining operation. The deposit has been reported as containing 10m tons of ore grading 0.224 ounces of gold per ton.

Amoco, a subsidiary of Standard Oil (Indiana), has spent \$99.3m (£3.8m) on Detour. The feasibility study has included underground development to a depth of 400 feet for the examination of the ore zone, core drilling and additional metallurgical testing.

The gold prospect is in the north east of Ontario, in a remote area accessible only by air when Amoco started work, and near Selection Trust's base metals project, just over the provincial border in Quebec.

The likelihood of development by Amoco has for long been considered at least partly dependent on a decision by Selection Trust to go ahead with its project. Both mines would be able to use the same access.

Selection Trust could make a decision on its project later this year. It has an option to buy a 50 per cent stake in the deposit presently held by Pickands Mather of the U.S. and is seeking a joint venture partner.

Blyvoor lifts dividend

IN THE latest batch of Jurg dividend declarations, those of the Blyvoor Rand group, Blyvoor yesterday announced a final dividend of 65 cents (37p)—broadly in line with market expectations—making a total for the year of 105 cents (60p) against 65 cents last year.

At the lower end of market forecasts, however, are the interim declarations of Durban Deep and East Rand Proprietary. The former, which returned to the dividend list last December, is making an interim payment of 40 cents (23p), against market forecasts of as much as 75 cents, while East Rand Proprietary's interim of 19 cents (5.7p) compares with expectations of up to 20 cents.

COBALT HELPS OUTOKUMPU OY

Finland's state-owned Outokumpu Oy mining and refining group made improved profits last year despite low prices for its major products, copper, stainless steel, zinc and cobalt, reports our Helsinki correspondent.

The day was saved by sharply rising prices for cobalt and an increase of 129 per cent in sales of the technical export division. Total net profits rose to Fm 8.3m (£1m) while turnover increased by 27 per cent to Fm 1.75bn, of which exports accounted for 78 per cent.

Outokumpu Oy forecasts a further improvement in profitability for this year, again

GROOTVLEI

Although the South African Union Corporation group's Grootvlei mines as a short-life gold mine, the reference to declining underground operations reported yesterday applied to the group's Marievale Consolidated and not to Grootvlei, as stated.

It is Marievale which anticipates a cessation by the end of this year of the significant contribution to total profits from underground operations. After this, Marievale's future dividends will depend on income from milling low grade truck dump material, clean-up operations and the disposal of assets.

Midland's new gilt fund

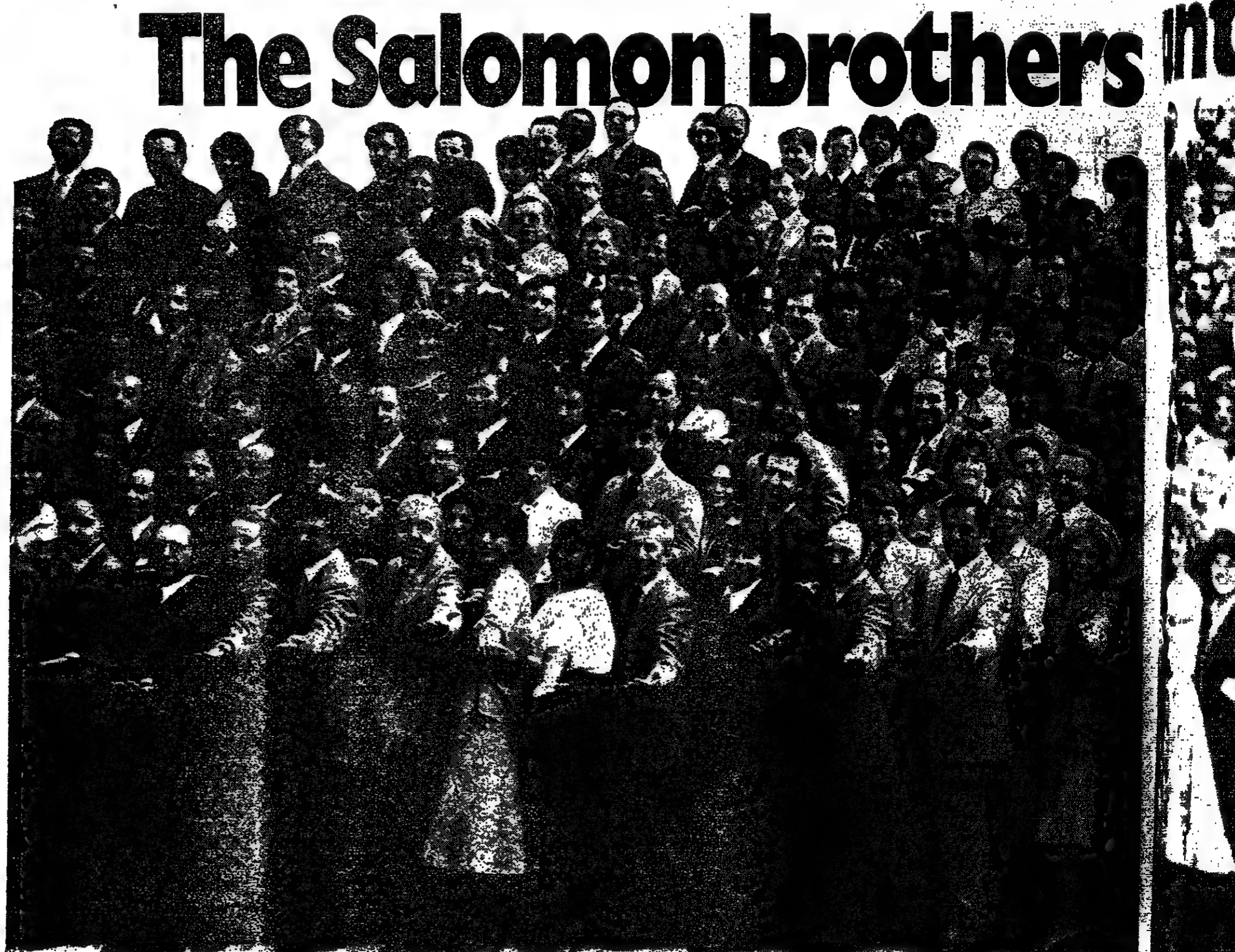
Midland Bank has launched a new gilt unit fund for savers seeking a high return.

The fund, Midland Drayton Gilt, is based in Jersey and will pass on income before deduction of tax.

The fund will concentrate mainly on British Government securities and is expected to appeal particularly to non-taxpayers in the UK and British nationals abroad.

The fund is run on standard unit trust lines but is technically a company with participating redeemable preference shares which will be issued and repurchased in response to investor demand.

The minimum investment is 1,000 shares which are on offer initially at £1 each including the manager's charge of 1p per cent share.



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BIDS and DEALS

Thorn in £26m French television rental deal

BY CHRISTINE MOIR

Thorn Electrical Industries has acquired 50.1 per cent of Locatel SA, the largest television rental group in France, and is bidding for the rest at a price which values Locatel at £26.3m (FFr 240m).

Thorn, which established a small television rental chain, Visea, in France 18 months ago, acquired the Locatel stake from two corporate shareholders, Eura France and Sofipa, through Lazard Brothers, at FFr 450 per share in cash.

It will now stand in the market at this price in an attempt to acquire the outstanding equity. The offer price represents a 56.8 per cent increase over yesterday's closing price on the Paris Bourse.

Locatel, which was established in 1962, now has 89 shops and around 900 television agencies, servicing 101,000 colour television sets and 78,000 black and white sets throughout France.

Its turnover for the year to last August was FFr 218.3m, an 18 per cent increase on the previous year. Post tax profits were FFr 11.6m (FFr 9.4m). At the time of the latest rights issue in February, net tangible assets were stated to be FFr 81.9m.

Thorn as television rental operations in most other European countries as well as Australasia and South Africa. A spokesman for the group said that the French acquisition was made in the light of the potential growth in penetration of colour sets in that country.

Ownership of colour sets in France is only 22 per cent of all sets compared with 68 per cent in the UK.

The transfer of the controlling interest in Locatel is still subject to consent by the French and UK authorities.

AMBER DAY PAYS £1.3M FOR RANDALL FASHION

Amber Day, the clothing manufacturer and retailer, is paying about £1.29m in shares and cash for Randall Fashion Group, a private company retailing ladies' clothing from stores at Brant Cross, Bromley and Croydon.

Mr. Ronald Metzger, chairman of Amber said the acquisition would strengthen the management and spread of interests in its ladies retail fashion division. Two Randall directors will join the main Board when the acquisition is completed in September. Randall's turnover in 1978 was £1.55m while pre-tax profits "are running at a rate of £260,000."

JANTAR OFFER LAPSES

The 10p per share offer for Jantar from Mr. Edward Nassar has lapsed. On the closing date last Friday Mr. Nassar's offer had been accepted by only just over 10 per cent of holders of the outstanding 70 per cent of the equity.

Mr. Nassar's bid, increased from 8p to 10p, was triggered off when his stake rose from just under 30 per cent to a

fraction over. Mr. Nassar will continue to hold that stake and under Stock Exchange rules may not now make another bid for a further 12 months.

NSS PAYS £0.85M FOR 16 SHOPS

NSS Newsagents has acquired from A. J. N. (Newsagent) 16 shops in the Leicester area trading as County News for £851,964 cash.

Assets acquired are valued as follows: — goodwill £380,000, trade fixtures and fittings £85,000, stock £107,350, freehold shops £48,000, freehold houses £25,000, total £848,350.

Profit, before tax, derived from this acquisition is estimated at £140,000.

NSS intends maintaining continuity of employment for management and staff of these Leicester shops but no directors of A. J. N. are joining NSS.

SUITS

At an EGM in Glasgow, shareholders of Scottish and Universal Investments unanimously voted in favour of the capital reorganisation in connection with the offer by Lonrho.

It is expected that the offer by Lonrho will become totally unconditional tomorrow, when a further announcement will be issued.

Acceptances to date, together with shares of SUITS already held by Lonrho, amount to 94.6 per cent of SUITS capital.

Interest grows in John James

John James Group, the Bristol-based industrial and investment company, has announced that it is currently holding talks with more than one possible suitor. The group, which is headed by the colourful 73-year-old millionaire Mr. John James, said discussions with interested parties were continuing and added that consideration of any offer would take fully into account the interests of shareholders and employees.

Speculation about the future of the company has been mounting since John James shares were suspended last month at 53p, a level which valued the group at £15.5m.

John James Groups interests include a wide variety of engineering companies, with a particular emphasis on tubes, valves and fittings, and an 8.6m portfolio of preference shares.

It seems likely that arrangements will be made for the preference share portfolio to be passed to a trust with which Mr. James will be associated.

It is understood that the details of a bid had almost been agreed before the shares were suspended. This move, however, pushed out interest from other parties.

Mr. James is no longer the beneficial owner of any shares in the group. Between them, however, a family trust and the Dawn James charitable foundation own about two thirds of the share capital.

Meanwhile, John James accounts for the year to March 31 are in the final stages of consolidation and the Board considers the likely level of results for the year to be very encouraging.

SHARE STAKES

James Beattie—Mrs. Sallie I. du Cann, wife of Mr. Edward du Cann, has been appointed a director. Her interests are 14,000 ordinary shares and 214,900 "A" ordinary.

Sime Darby Holdings—Wee Cho Yaw, director, notifies that a company in which he is deemed to be interested, has

acquired 250,000 shares making holding 640,000. His personal holding is 60,000.

Trust House Forte—Kuwait Investment Office has sold 300,000 shares, reducing interest to 11,222m (5.57 per cent).

Fine Art Developments—D. I. Barnes, director, has sold 574,672 shares. G. B. Barnes, director, has sold 405,325. W. N. Rigby, director, has sold 10,975.

Leda Investment Trust—Sir Robert McAlpine and Mr. Kenneth McAlpine as non-beneficial trustees have bought further 159,000 capital shares making holding in this capacity 575,000 (11.34 per cent).

Thomas, Berthwick and Sons—Sir John T. Berthwick, director, on June 6 bought 75,000 shares and on June 7 25,000.

Rand London Corporation—London Trust Co. has bought further 173,000 shares making holding in this capacity 575,000 (11.34 per cent).

Francis Sumner (Holdings)—N. Davis, director, has notified that Louis Flower, a family investment company of which he is also a director, has bought 25,000 shares making holding 1,225,000.

Spencer Clark Metal Industries—New Investment Company has become beneficial owner of further 280,000 shares making total of 10,81 per cent.

Normand Electrical Holdings—Truismotion Trust has bought 50,000 shares making holding 789,390 (10.96 per cent).

B AND C BID VALUES MANIFORD INV. AT £3.2M

British and Commonwealth Shipping Company has agreed terms with the independent shareholders of Manifold Investment Holdings. The bid, first announced late in May, values the company at £3.2m, or 157p per share. British and Commonwealth already held 46.3 per cent and the next largest shareholder (with around ten per cent) is 36 per cent owned by B and C. The directors of Manifold, an unquoted company, have accepted the offer on behalf of their own 5.5 per cent holdings.

Howden share deal

Howden Group, the Glasgow engineering concern, is to issue shares—representing 49 per cent—of its Canadian subsidiary, Howden Canada, to BBC Brown, Boveri of Baden, Switzerland, in a deal worth £515.6m (£8.5m).

The move follows the acquisition by Howden last year of the 49 per cent stake, which it did not already own, in Howden Parsons from Northern Engineering Industries in a deal worth £515.6m. Howden Parsons was later renamed Howden Canada.

Arrangements were then made with BBC Brown, Boveri to collaborate in the submission of tenders and the supply of Brown Boveri-designed turbine generators throughout Canada. And, as part of the deal, BBC Brown, Boveri had an option to negotiate to acquire up to 49 per cent of the share capital of Howden Canada.

The deal is to be arranged through the issue by Howden Canada of 96,078 common shares of £51 to a Canadian subsidiary of BBC Brown, Boveri for £515.6m each, payable as to £51 per share, and the balance of £15.6m on July 15, 1981, or alternatively, at the election of either party, on July 15, 1982. The proceeds from the sale are to be used by Howden Canada as additional working capital.

Howden Group said yesterday: "The collaboration between the two parties will be strengthened by the participation of BBC Brown, Boveri as a substantial shareholder in Howden Canada as is expected, in due course, to result in further substantial orders."

BASS MAY SELL WINE BUSINESS

Bass, formerly Bass Charrington, is considering selling off its Bordeaux-based wine shipping business, Alexia Lichine et Cie. Talks have been taking place with a number of interested parties but no decision has yet been taken.

IRISH OIL AND CAKE MILLS

Irish Oil and Cake Mills, an edible oils company which is the object of a potential take-over bid, yesterday had its listing on the Stock Exchange restored.

S. Rablitz and Co., which together with associates owns 30.4 per cent of the IOCM equity, has declared that it will make an offer at 70p per share, valuing the company at £2.8m., provided that it succeeds in purchasing 29 per cent of the equity from Scotia Nominees.

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PETROLEUM-CHEMICALS-OIL AND GAS EXPLORATION

Results	Year ending March 31st	1978	1977
Group Turnover		£38 494,000	£32 563,000
Group profit before exceptional item and tax		2,878,000	2,030,000
Exceptional item: Special payment to Pension Fund		300,000	—
Group profit before tax		2,578,000	2,030,000
Profit after tax		2,044,000	1,421,000
Extraordinary items		—	30,000
Attributable to shareholders		2,044,000	1,391,000
Dividends (including proposed final)		408,000	263,000
Earnings per share		5.2p	3.6p

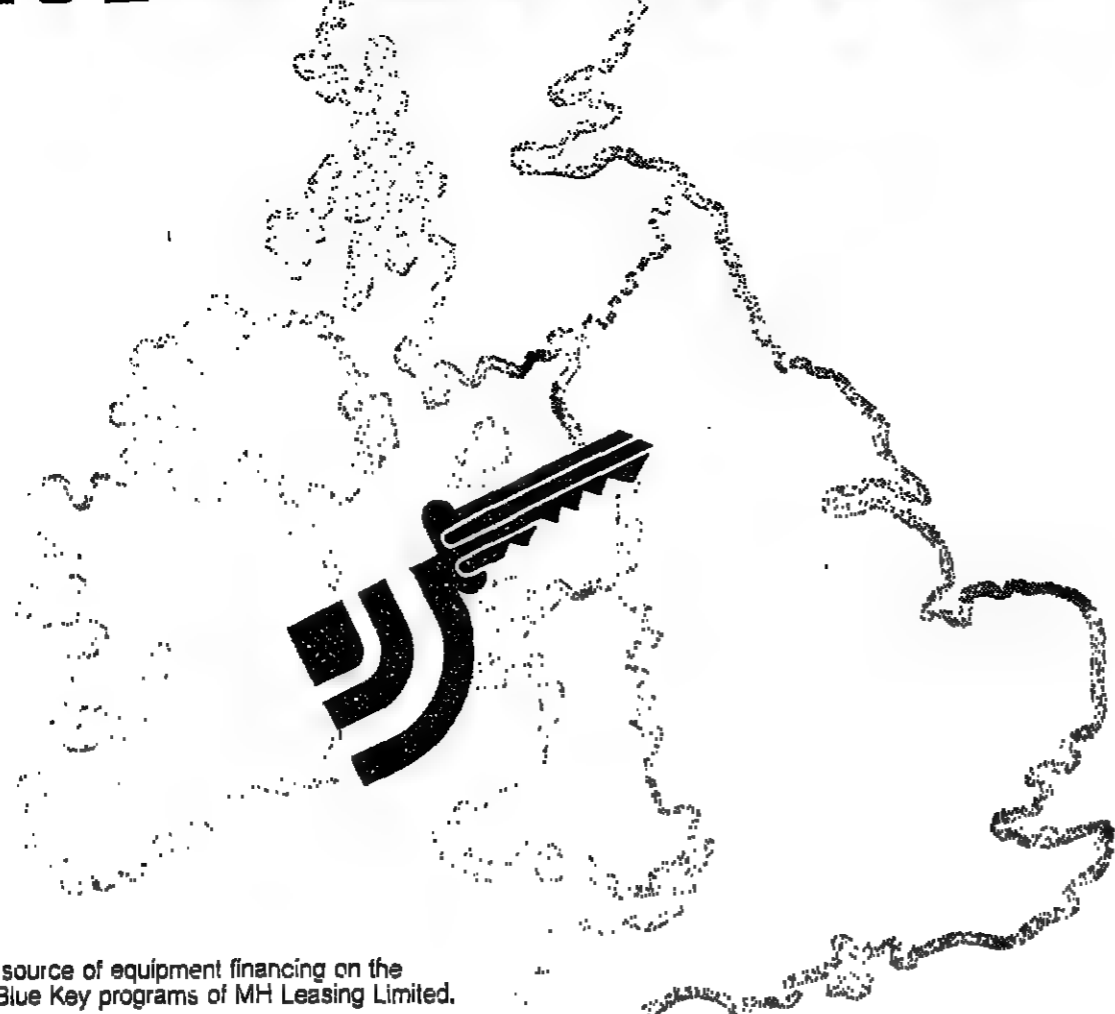
A final dividend of 0.6174p per share is recommended making a total for the year of 1.0289p. This is the maximum permitted under current legislation.

The directors, but for the present restraint, would have proposed a final dividend of 1.3p per share. In consequence, they intend to reserve a sum equal to the difference between such dividend and that which is proposed, to be distributed as a special dividend when circumstances permit. Accordingly £270,000 is designated within reserves as available for this purpose.

A fifth well has been drilled on block 21-2 confirming the presence of oil discovered in the first well. A sixth well to test the gas and condensate structure failed to confirm an economically viable accumulation.

As indicated in the Interim Statement issued in December 1978 the trading pattern improved in the second half year and the results have exceeded expectations. Although it becomes increasingly difficult to forecast results it is expected that the present satisfactory trend will continue during the current half year.

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Oil companies defend role of Petro-Canada

By ROBERT GIBBENS in Montreal

CANADA'S oil industry, which several years ago fought so strongly against the Trudeau government's plan to set up Petro-Canada, the national oil company, is calling on Prime Minister Joe Clark to go slow with implementation of his campaign promise either to break up the company or sell off part of its stock to the public.

Mr. Jack Armstrong, head of Imperial Oil (Exxon), Canada's largest integrated oil company, Senator Ernest Manning, former Alberta Premier and now a consultant in Calgary and Edmonton, and several leaders of the smaller Canadian-owned exploration companies such as Carl Niele, of Calgary, have argued publicly in the past few days that Mr. Clark should think twice before disturbing the present set-up.

These oil industry spokesmen, aware that the Clark government will face strong opposition to a break-up of Petro-Canada from both the Liberal and New Democrat opposition, are also arguing that it is foolish to put a move against Petro-Canada in its present form at the top of the new government's priority list.

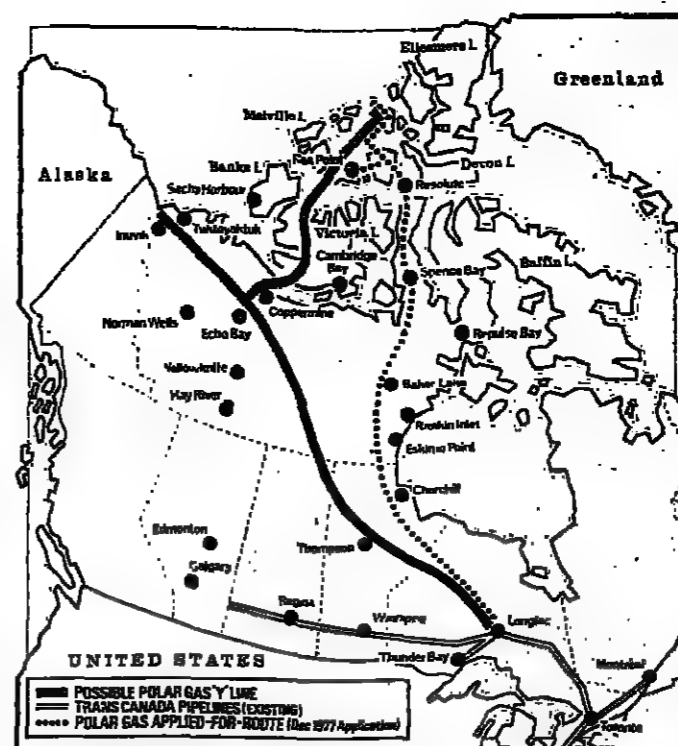
While all agree that they opposed its formation vehemently, they now see a definite role for the national oil company in making major contributions to exploration and development in areas such as the Far North and offshore East Coast where costs are extremely high and the payoff delayed by technical difficulties or construction of major pipelines in the future.

Cost burden

Many large oil companies in Canada are saying that with the present tax and royalty regime and the incentives for drilling in frontier and remote offshore areas, the private sector part of the industry cannot shoulder all the costs as well as keep mainland exploration and development going at a faster pace.

The Progressive Conservative Government, elected on May 23, has undertaken to ease some of the burden on the industry and assure it of longer periods for special tax incentives.

No matter what is decided in the tax and incentive areas, it



would not be necessary to change the status of Petro-Canada—which last year took over complete ownership of Phillips Petroleum's Canadian subsidiary in a deal worth more than \$1.4bn—the largest takeover in Canadian business history.

But the industry is asking the Government to revise the rules particularly those affecting northern frontier exploration, under which Petro-Canada is regarded as having an unfair advantage. In certain circumstances, Petro-Canada has first call on acreage in the Arctic Islands, and the industry says this allows it to get some of the best exploration areas available without making a commensurate expenditure on seismic work or drilling. The Arctic areas are undisputed federal lands.

Some oil industry spokesmen now even say that Petro-Canada, under its president Mr. William Hopper, an Imperial Oil man in western Canada before he went into the federal civil service, has done a good job in educating Ottawa politicians and mandarins about the realities of the oil industry. This is ironic since Mr. Hopper, shortly after the formation of Petro-Canada,

accused some major companies of waging a campaign of vilification against it.

Petro-Canada, before taking over the Phillips subsidiary, had also bought out Atlantic Richfield's operations in Canada. Both moves were criticized in the industry which said that government funds were used as the equity base for the deals, when the money could have been used more usefully to find more oil and gas.

Petro-Canada also owns the largest single block of stock and control in the Panarctic Oils consortium, which began the Arctic Islands exploration after the Prudhoe Bay oil and gas find in Alaska in 1968. It has been taking a leading role in Panarctic's operations and policies, giving rise to rumours that it would buy the private partners out. It has denied this. Biggest single stockholders in the private sector are the Canadian Pacific group and the Noranda Mines group.

Panarctic has found a new field offshore from Northern Melville Island, increasing its proven gas reserves there perhaps to 15 trillion (million million) cubic feet.

This has created new pressures to give a Polar Gas pipe-

line route another hearing instead of plans to mo Melville Island gas by L3 carriers of 140,000 cu metres capacity via Lancaster Sound and Davis Strait to the Labrador coast into the Lawrence to a terminal east of Quebec City.

World shipbuilders have as far as offering designs a quotations for such L3 carriers, ranging up to abo \$400m each. No decision w reached by the Trudeau government on this so-called Arv Pilot Project. It will come again this autumn before t new Government.

Pipelines

Petro-Canada has been leading sponsor of this proj and would help finance it if went through.

The alternate Polar Gas ply line would bring Melville (a later King Christian Island gas with a wide pipeline to t mainland around Coppermi and join the old Macken Valley pipeline propos several years ago and beat out by the Alaska Highway pipeline project south Prudhoe Bay gas to south Fairbanks, Alaska, and the swinging into northern Cana and Alberta and south Midwest U.S. markets.

Mackenzie Valley gas w supposed to be hooked up this line later via the Dempst Highway route—the road is no being finished from Dawson Inuvik at the head of Q Mackenzie Delta.

The new Polar Gas route known as the Y-line (see map) and it is now clear the changt exploration scene will present new set of options to the Clav Government.

In the case of Polar Gas an the Y-line, there is powerf sponsorship, including Tran Canada Pipelines, which effectively controlled now b Dome Petroleum, the pioner exploration group in the Beafort Sea between Prudhoe Ba and the Mackenzie Delta.

The Y-line may have mor attraction than the old Pola Gas route which would hav brought central Arctic gas t the mainland via the Booth Peninsula, continuing down the west side of Hudson's Bay to northern Ontario and connect ing with Midwest markets.

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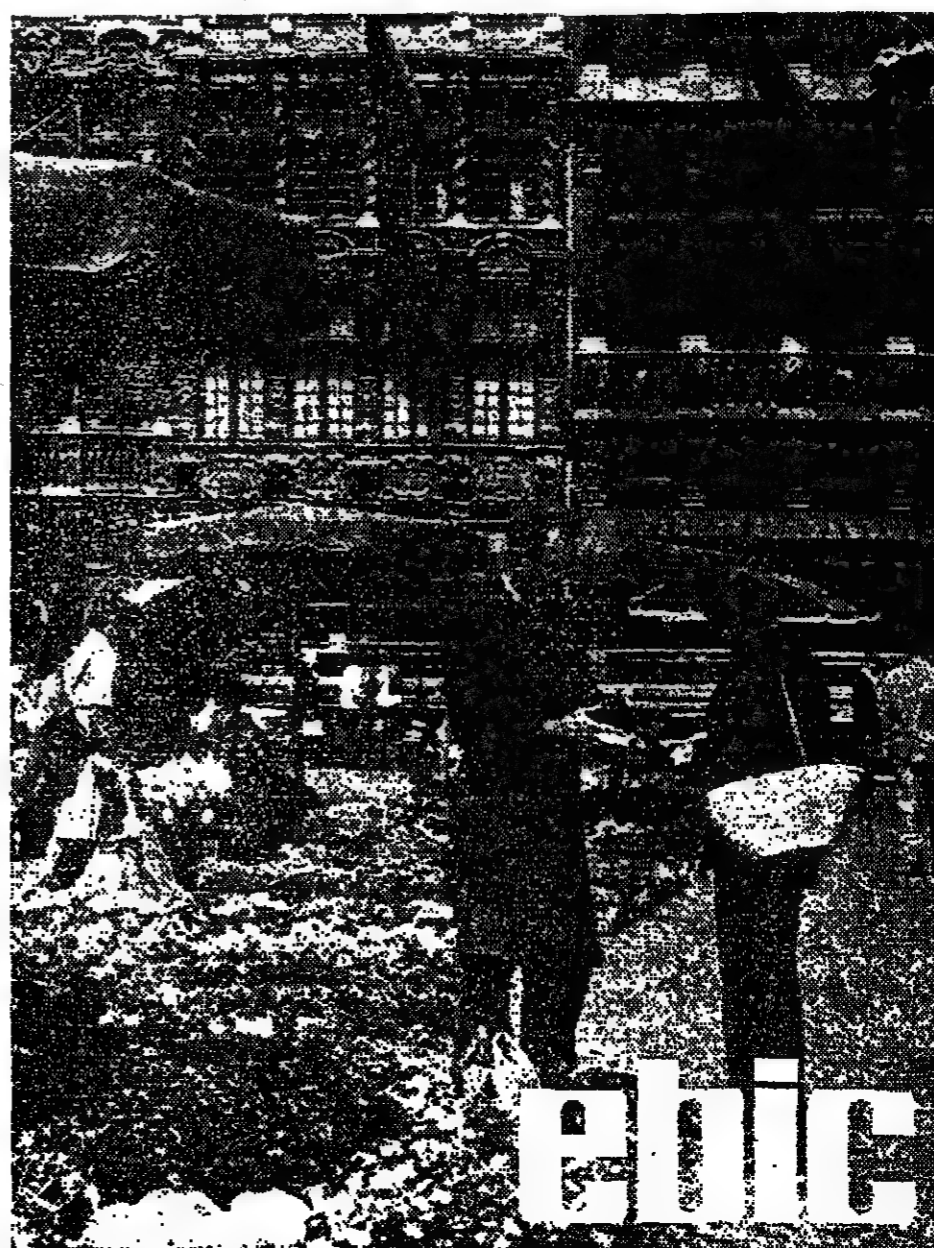


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Companies and Markets

£ and \$ steady in quiet trading

Trading in yesterday's foreign exchange market remained very quiet ahead of today's Budget, business comprising mostly routine trading of the pound and dollar. The pound's trade figures had left people's optimism somewhat dampened and there was a likelihood of any real movement ahead of today's economic package. Sterling showed a slightly firmer tendency overall, dealers stressed that movements may have been exaggerated to extremely thin conditions.

Trade weighted basis using the £ of European figures, the £ index rose slightly to 67.3, having stood at 67.2 at noon and 67.2 in the afternoon. Against the dollar it edged at \$2.0660-2.0670 and dipped to \$2.0605 before rising steadily through the day to close at \$2.0665, a rise of 58 points. Friday's trading for the pound took place within a narrow range of \$2.0605-2.0670.

The dollar finished near its level for the day against currencies in rather featureless trading. Against the £-mark it edged at DM 1.9135 against £1.00 and SwFr 1.7325 against £1.00. The yen showed a slight tendency with the dollar at ¥218.70 compared with ¥218.50 on Friday's level. The Japanese authorities expressed a desire to see the yen trading in the range of ¥218-220. Recent comments by the Japanese government have been cited as the main reason for the U.S. unit's decline, and yesterday's fall was carried over from previous trading in other centres.

ANKFURT—There was no trading at yesterday's rate in the Bundesbank market. The rate was fixed at DM 1.9122 against £1.00 from Friday's level of DM 1.9113. Trading was very quiet with little fresh

news to affect trading, although the U.S. currency may have benefited on news of a higher than expected rise in the Swiss Wholesale Price Index.

The Belgian franc was fixed at DM 6.228 per FF 100, above its floor level of DM 6.210 and without any support from the Bundesbank and the Danish krone also managed an improvement to DM 24.70 per FF 100 compared with its floor level of DM 24.645.

BRUSSELS—Interventions by the Belgian Central Bank enabled the Belgian franc to rise above its lowest permitted level against the D-mark of FF 10.974 to FF 10.9855. Estimates within the market put the Bank's intervention at around DM 60m.

Against other currencies the franc showed mixed changes, but within the EMS, it remained the weakest member.

MILAN—The lira improved against the dollar and EMS currencies in general with trading at a low level. The dollar was fixed at L853.8 against L853.7 on Friday, and the D-mark edged to L48.54 from L48.70. Sterling showed hardly any change at L176.45 compared with L176.45 previously.

TOKYO—The dollar fell ground against the yen yesterday and closed at ¥218.50, sharply lower than Friday's level of ¥220.225. Recent comments by the Japanese authorities expressed a desire to see the yen trading in the range of ¥218-220.

STOCKS—The London Stock Exchange closed at 1,912.2, up from 1,911.3 on Friday. Trading was very quiet with little fresh

CURRENCIES, MONEY and GOLD

THE POUND SPOT AND FORWARD

June 11	Day's spread	Close	One month	Three months	%
U.S.	2.0655-2.0695	2.0665-2.0685	0.77-0.78 pm	0.70-0.70 pm	1.45
Canada	2.2250-2.2315	2.2265-2.2315	0.74-0.75 pm	0.69-0.69 pm	1.21
Denmark	4.20-4.24	4.23-4.24	15-16 pm	13-14 pm	3.11
France	63.50-63.60	63.50-63.60	22-23 pm	20-21 pm	2.52
Germany	11.30-11.40	11.30-11.40	10-11 pm	9-10 pm	0.53
Italy	1.0250-1.0350	1.0250-1.0350	5-10 pm	4-5 pm	0.79
Japan	218.50-219.00	218.50-219.00	10-11 pm	9-10 pm	0.23
Netherlands	136.10-137.00	136.10-137.00	20-21 pm	19-20 pm	0.15
Portugal	1.750-1.760	1.750-1.760	20-21 pm	19-20 pm	0.15
Spain	16.70-16.80	16.70-16.80	20-21 pm	19-20 pm	0.15
Sweden	10.70-10.75	10.70-10.75	24-25 pm	23-24 pm	0.51
Switzerland	9.10-9.15	9.10-9.15	10-11 pm	9-10 pm	0.56
U.K.	4.40-4.45	4.40-4.45	24-25 pm	23-24 pm	2.30
U.S.	218.50-219.00	218.50-219.00	10-11 pm	9-10 pm	0.23
West Germany	1.750-1.760	1.750-1.760	20-21 pm	19-20 pm	0.15
Yen	218.50-219.00	218.50-219.00	10-11 pm	9-10 pm	0.23

THE DOLLAR SPOT AND FORWARD

June 11	Day's spread	Close	One month	Three months	%
U.S.	2.0655-2.0695	2.0665-2.0685	0.77-0.78 pm	0.70-0.70 pm	1.45
Canada	2.2250-2.2315	2.2265-2.2315	0.74-0.75 pm	0.69-0.69 pm	1.21
Denmark	4.20-4.24	4.23-4.24	15-16 pm	13-14 pm	3.11
France	63.50-63.60	63.50-63.60	22-23 pm	20-21 pm	2.52
Germany	11.30-11.40	11.30-11.40	10-11 pm	9-10 pm	0.53
Italy	1.0250-1.0350	1.0250-1.0350	5-10 pm	4-5 pm	0.79
Japan	218.50-219.00	218.50-219.00	10-11 pm	9-10 pm	0.23
Netherlands	136.10-137.00	136.10-137.00	20-21 pm	19-20 pm	0.15
Portugal	1.750-1.760	1.750-1.760	20-21 pm	19-20 pm	0.15
Spain	16.70-16.80	16.70-16.80	20-21 pm	19-20 pm	0.15
Sweden	10.70-10.75	10.70-10.75	24-25 pm	23-24 pm	0.51
Switzerland	9.10-9.15	9.10-9.15	10-11 pm	9-10 pm	0.56
U.K.	4.40-4.45	4.40-4.45	24-25 pm	23-24 pm	2.30
U.S.	218.50-219.00	218.50-219.00	10-11 pm	9-10 pm	0.23
West Germany	1.750-1.760	1.750-1.760	20-21 pm	19-20 pm	0.15
Yen	218.50-219.00	218.50-219.00	10-11 pm	9-10 pm	0.23

CURRENCY MOVEMENTS

June 6	Bank Special	Special	Special	Special	Special
U.S.	12	0.613119	0.613787	0.613119	0.613787
Canada	11	1.36783	1.36783	1.36783	1.36783
Denmark	11	1.36783	1.36783	1.36783	1.36783
France	8	6.35327	6.35327	6.35327	6.35327
Germany	8	6.35327	6.35327	6.35327	6.35327
Italy	8	6.35327	6.35327	6.35327	6.35327
Japan	8	6.35327	6.35327	6.35327	6.35327
Netherlands	8	6.35327	6.35327	6.35327	6.35327
Portugal	8	6.35327	6.35327	6.35327	6.35327
Spain	8	6.35327	6.35327	6.35327	6.35327
Sweden	8	6.35327	6.35327	6.35327	6.35327
Switzerland	8	6.35327	6.35327	6.35327	6.35327
U.K.	8	6.35327	6.35327	6.35327	6.35327
U.S.	8	6.35327	6.35327	6.35327	6.35327
West Germany	8	6.35327	6.35327	6.35327	6.35327
Yen	8	6.35327	6.35327	6.35327	6.35327

OTHER MARKETS

June 11	£	\$	DM	Yen	Other
Argentina Peso	2630.2650	1271.1281	Austria	28.70-29.70	
Australia Dollar	1.010-1.011	0.8995-0.9005	Belgium	3.20-3.25	
Brazil Cruzeiro	53.33-53.33	53.33-53.33	Denmark	11.35-11.45	
Canada Dollar	2.2250-2.2315	2.2265-2.2315	France	63.50-63.60	
France Franc	63.50-63.60	63.50-63.60	Germany	11.30-11.40	
Germany Mark	11.30-11.40	11.30-11.40	Italy	1.0250-1.0350	
India Rupee	10.00-10.00	10.00-10.00	Japan	218.50-219.00	
Indonesia Rupiah	1.00-1.00	1.00-1.00	Netherlands	136.10-137.00	
Israel Sheqel	1.00-1.00	1.00-1.00	Portugal	1.750-1.760	
Italy Lira	1.0250-1.0350	1.0250-1.0350	Spain	16.70-16.80	
Japan Yen	218.50-219.00	218.50-219.00	Sweden	10.70-10.75	
Netherlands Guilder	136.10-137.00	136.10-137.00	Switzerland	9.10-9.15	
Portugal Escudo	1.750-1.760	1.750-1.760	U.K. Pound	4.40-4.45	
Spain Peseta	16.70-16.80	16.70-16.80	U.S. Dollar	2.0655-2.0695	
Sweden Krona	10.70-10.75	10.70-10.75	West Germany Mark	1.750-1.760	
Switzerland Franc	9.10-9.15	9.10-9.15	Yen	218.50-219.00	
U.K. Pound	4.40-4.45	4.40-4.45			
U.S. Dollar	2.0655-2.0695	2.0655-2.0695			
West Germany Mark	1.750-1.760	1.750-1.760			
Yen	218.50-219.00	218.50-219.00			

EMS EUROPEAN CURRENCY UNIT RATES

ECU	Central rate	June 11	% change	June 11	% change
France	25.4622	25.4622	+2.58	+1.78	+1.53
Krone	7.0522	7.0522	+2.49	+1.68	+1.43
D-Mark	2.5000	2.5000	+2.49	+1.68	+1.43
Franc	7.0522	7.0522	+2.49	+1.68	+1.43
Guilder	2.7277	2.7277	+2.49	+1.68	+1.43
Unit	0.65628	0.65628	+2.49	+1.68	+1.43
Lira	1148.15	1148.15	+2.49	+1.68	+1.43

HANGE CROSS RATES

June 11	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Italian Lira	Canada Dollar	Belgian Franc
sterling	1.0000	2.0665	3.959	488.6	9.163	1.3678	1.766	2.431	63.55
dollar	0.484	1.0000	1.924	218.7	5.104	0.733	0.958	1.178	30.73
mark	0.253	0.509	1.0000	114.3	2.512	0.805	1.000	0.614	16.08
yen	0.210	0.457	0.457	1.0000	2.121	0.728	0.902	0.572	14.04
franc	0.108	0.220	0.220	0.220	1.0000	0.733	0.958	0.614	16.08
franc	0.079	0.163	0.163	0.163	0.733	1.0000	0.958	0.614	16.08
guilder	0.031	0.067	0.067	0.067	0.211	0.287	1.0000	0.561	14.66
lira	0.001	0.002	0.002	0.002	0.001	0.001	0.001	1.0000	15.99
can dollar	0.411	0.484	0.484	0.484	1.3678	1.766	2.431	1.0000	26.14
bel franc	1.974	3.959	3.959	3.959	5.104	6.353	7.726	3.073	100.00

10-CURRENCY INTEREST RATES

Following nominal rates were quoted for London dollar certificates of deposit: one month 10.25-10.35 per cent; three months 10.25-10.35 per cent; six months 10.25-10.35 per cent; one year 9.50-10.00 per cent.

June 11	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian \$	Japanese Yen
term	11.15-11.15	10.10-10.10	9.10-9.10	7.10-7.10	11.15-11.15	8.10-8.10	10.10-10.10	10.10-10.10	8.10-8.10
12 months	11.15-11.15	10.10-10.10	9.10-9.10	7.10-7.10	11.15-11.15	8.10-8.10	10.10-10.10	10.10-10.10	8.10-8.10
6 months	11.15-11.15	10.10-10.10	9.10-9.10	7.10-7.10	11.15-11.15	8.10-8.10	10.10-10.10	10.10-10.10	8.10-8.10
3 months	11.15-11.15	10.10-10.10	9.10-9.10	7.10-7.10	11.15-11.15	8.10-8.10	10.10-10.10	10.10-10.10	8.10-8.10
1 month	11.15-11.15	10.10-10.10	9.10-9.10	7.10-7.10	11.15-11.15	8.10-8.10	10.10-10.10	10.10-10.10	8.10-8.10

INTERNATIONAL MONEY MARKET

J.S. rates mixed

New York interest rates were mixed yesterday, amid speculation that yields may have moved rather too quickly over the few weeks. Yields on 12-month Treasury bills fell to 9.10 per cent from 9.25 per cent in trading, and to 9.10 per cent from 9.25 per cent on 28-bills. Federal funds were up, however, rising to 10.10 per cent in the morning from 10.10 per cent in early trading on Friday.

ANKFURT—Interbank term money rates were generally firmer, with call money rising to 6.60-6.70 per

PARIS—Day-to-day money edged up to 8.10 per cent from 8.00 per cent, and one-month to 8.10 per cent from 8.00 per cent. Three-month funds were quoted at 8.10 per cent, compared with 8.00 per cent, and six-month to 8.10 per cent, compared with 8.00 per cent.

BRUSSELS—Call money was 6.10 per cent, one-month 8.10 per cent, three-month 8.10 per cent, and six-month 8.10 per cent. The money market was easy in the morning and tight in the afternoon, with call money at 12 per cent, and overnight at 12 per cent.

HONG KONG—The money market was easy in the morning and tight in the afternoon, with call money at 12 per cent, and overnight at 12 per cent.

STOCKS—The London Stock Exchange closed at 1,912.2, up from 1,911.3 on Friday. Trading was very quiet with little fresh

MONEY MARKET

Large assistance

Bank of England Minimum Lending Rate 12 per cent (since April 5, 1979). Yesterday's credit was in short supply in the London money market yesterday, and the authorities gave a large amount of assistance by buying a moderate number of Treasury bills, and the discount houses, and a

NDON MONEY RATES

June 11	Sterling	Interbank	Local	Local	Finance	Company	Discount	Eligible	Prime
night	9.10-9.10	11.15	11.15	11.15	11.15	11.15	11.15	11.15	11.15
12 months	11.15-11.15	11.15	11.15	11.15	11.15	11.15	11.15	11.15	11.15
6 months	11.15-11.15	11.15	11.15	11.15	11.15	11.15	11.15	11.15	11.15
3 months	11.15-11.15	11.15	11.15	11.15	11.15	11.15	11.15	11.15	11.15
1 month	11.15-11.15	11.15	11.15	11.15	11.15	11.15	11.15	11.15	11.15
1 week	11.15-11.15	11.15	11.15	11.15	11.15	11.15	11.15	11.15	11.15

Local authority and finance houses have been asked to provide a total of £1.5 billion in the form of loans to the Treasury. The Treasury has also asked for a total of £1.5 billion in the form of loans to the Treasury. The Treasury has also asked for a total of £1.5 billion in the form of loans to the Treasury.

WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on June 11, 1979. In some cases rates are given in nominal terms, but the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are related. Exchange in the UK and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorized dealer.

PLACE AND LOCAL UNIT	VALUE OF £ STERLING	PLACE AND LOCAL UNIT	VALUE OF £ STERLING	PLACE AND LOCAL UNIT	VALUE OF £ STERLING
Algeria (Dinar)	10.00	Greenland (Danish Krone)	11.425	Peoples R. Repub. of Yemen (Yemeni Rial)	(A10.7064
Albania (Lek)	10.072	Granada (G.D.)	5.5909	Peru (Nuevo Sol)	excl A457.21
Angola (Kwanza)	7.9815	Guatemala (Guatemalan Quetzal)	9.1625	Philippines (Philippine Peso)	5.3257
Argentina (Austral)	1.3226	Haiti (Gourde)	2.0058	Pitcairn Islands (P. Sterling)	1.0537
Australia (Australian Dollar)	139.50	Guinea (Guinean Franc)	2.0698	St. Helena, Ascension & Tristan da Cunha (St. Helena Pounds)	1.9795
Austria (Schilling)	60.3363	Guinea-Bissau (Guinean Escudo)	5.5909	Poland (Zloty)	(Cm 65.38
Bahamas (Bahamian Dollar)	1.0000	Guyana (Guyanese \$)	6.2754	Portugal (Portuguese Escudo)	(Cm 35.36
Bahrain (Bahraini Dinar)	2.640	Haiti (Gourde)	10.3544	Porto Rico (Puerto Rican Escudo)	10.0508
Bangladesh (Taka)	1.0000	Honduras (Honduran Lempira)	1.0000	Puerto Rico (Puerto Rican Escudo)	10.0508
Barbados (Barbadian Dollar)	193.185	Hong Kong (Hong Kong \$)	10.5095	Romania (Romanian Leu)	(Cm 9.07
Belgium (Belgian Franc)	33.360	Hungary (Forint)	(Cm 73.61		
Belize (Belize Dollar)	0.795	Iceland (Icelandic Krona)	701.0	Rwanda (Rwandan Franc)	(Cm 7.54, 55
Bolivia (Bolivian Boliviano)	1.0000	India (Indian Rupee)	16.8536	S. Christopher (St. E. Caribbean \$)	5.5909
Bosnia (Bosnian Dinar)	1.3176	Indonesia (Indonesian Rupiah)	144.0	S. Helena (St. Helena \$)	5.5909
Brazil (Brazilian Cruzeiro)	1.0000	Iran (Iranian Rial)	10.0000	S. Lucia (St. Lucia \$)	5.5909
Brunei (Brunei Dollar)	1.0000	Iraq (Iraqi Dinar)	50.49	S. Pierre (St. Pierre & Miquelon \$)	5.5909
Bulgaria (Bulgarian Lev)	1.0000	Israel (Israeli Sheqel)	0.6890	S. Vincent (St. Vincent & the Grenadines \$)	5.5909
Burkina Faso (CFA Franc)	1.0000	Italy (Italian Lira)	2.0698	Samoa (Samoa American \$)	1.0000
Burundi (Burundian Franc)	1.0000	Japan (Japanese Yen)	1.0000	San Marino (San Marino Lira)	1.0000
Cameroon (CFA Franc)	1.0000	Jordan (Jordanian Dinar)	0.6890	Sao Tomé & Príncipe (S. Príncipe Escudo)	1.0000
Canada (Canadian \$)	1.0000	Kampuchea (Riel)	0.6890	Saudi Arabia (Saudi Riyal)	7.01
Cape Verde (Cape Verde Escudo)	75.510	Kenya (Kenyan Shilling)	18.70	Senegal (Senegalese Franc)	1.0000
Cayman Islands (Cayman Dollar)	1.0000	Korea (North Korean Won)	1.0000	Seychelles (Seychelles Rupee)	1.0000
Czechoslovakia (Czechoslovak Koruna)	1.0000	Kuwait (Kuwaiti Dina)	0.574	Sierra Leone (Sierra Leone Leone)	1.0000
Danmark (Danish Krone)	1.0000	Laos (Kip Pao)	82.5	Solomon Islands (Solomon \$)	1.0000
Denmark (Danish Krone)	1.0000	Lebanon (Lebanese Lira)	9.998	Somalia (Somali Shilling)	(A15.92
Dominican Republic (Dominican Peso)	1.0000	Libania (Libanian Lira)	2.0698	South Africa (South African Rand)	1.0000
Ecuador (Guano)	1.0000	Libya (Libyan Dinar)	0.6125	South West African Territories (S.W.A. Rand)	1.0000
Egypt (Egyptian £)	1.0000	Liechtenstein (Swiss Franc)	6.55	Spain (Spanish Pesta)	1.0000
Equatorial Guinea (Equatorial Guinean £)	1.0000	Madagascar (Malagasy Franc)	10.9953	St. Lucia (St. Lucia \$)	5.5909
Ethiopia (Ethiopian Birr)	1.0000	Malawi (Malawi Shilling)	1.710	Sudan (Sudanese Pound)	(A10.075
Falkland Islands (Falkland \$)	1.0000	Malaysia (Malaysian Ringgit)	4.5765	Suriname (Surinamese \$)	5.7031
Faro Islands (Faro Krone)	1.0000	Maldives (Maldivian Rufiyaa)	8.15	Swaziland (Swazi Lilangeni)	1.0000
Finland (Finnish Markka)	1.0000	Mali (Mali Franc)	1.0000	Sweden (Swedish Krona)	1.0000
France (French Franc)	1.0000	Malta (Maltese Lira)	0.7625	Switzerland (Swiss Franc)	5.989
French Guiana (French Guianese Franc)	1.0000	Martinique (Martinique Franc)	1.0000	Syria (Syrian Pound)	(A10.120
French Pacific (French Pacific Franc)	1.0000	Mauritania (Mauritanian Ouguiya)	1.0000	Taiwan (New Taiwan Dollar)	(P 24.47
Gabon (CFA Franc)	1.0000	Mauritius (Mauritian Rupee)	1.0000	Tanzania (Tanzanian Shilling)	1.0000
Germany (West) (Deutschmark)	1.0000	Mexico (Mexican Peso)	1.0000	Thailand (Thai Baht)	1.0000
Germany (East) (Deutschmark)	1.0000	Miquelona (Miquelona Franc)	1.0000	Timor (Timorese Escudo)	1.0000
Gibraltar (Gibraltar £)	1.0000	Monaco (Monaco Franc)	1.0000	Tonga (Tongan Paanga)	1.0000
Gilbert Islands (Gilbertian \$)	1.0000	Morocco (Moroccan Dirham)	1.0000	Trinidad & Tobago (Trinidad & Tobago Dollar)	1.0000
Greece (Greek Drachma)	1.0000	Mozambique (Mozambican Escudo)	1.0000	Turkey (Turkish Lira)	50.10
Grenada (Grenadian \$)	1.0000	Nepal (Nepalese Rupee)	1.0000	Turks & Caicos (U.S. \$)	2.0698
Guatemala (Guatemalan Quetzal)	1.0000	Netherlands (Dutch Guilder)	1.0000	Turkmenistan (Turkmenian Manat)	1.0000
Guinea (Guinean Franc)	1.0000	Netherlands Antilles (Antillean Guilder)	1.0000	Uganda (Ugandan Shilling)	1.0000
Guinea-Bissau (Guinean Escudo)	1.0000	New Hebrides (N.V. Aust. Dollar)	1.0000	United States (U.S. Dollar)	2.0698
Guyana (Guyanese \$)	1.0000	New Zealand (N.Z. Dollar)	1.0000	Uruguay (Uruguayan Peso)	(Cm 16.07
Haiti (Gourde)	1.0000	Nicaragua (Nicaraguan Cordoba)	1.0000	Utd. Arab Emirates (U.A.E. Dirham)	7.92
Honduras (Honduran Lempira)	1.0000	Niger Republic (C.F.A. Franc)	1.0000	U.S.S.R. (Russian Ruble)	1.0000
Hong Kong (Hong Kong \$)	1.0000	Nigeria (Nigerian Naira)	1.0000	Vatican (Vatican Lira)	1.0000
India (Indian Rupee)	1.0000	North Macedonia (Macedonian Denar)	1.0000	Venezuela (Venezuelan Bolivar)	1.0000
Indonesia (Indonesian Rupiah)	1.0000	Paraguay (Paraguayan Guaraní)	1.0000	Vietnam (Vietnam Dong)	(Cm 2.0701
Iran (Iranian Rial)	1.0000	Peru (Nuevo Sol)	1.0000	Western Samoa (Western Samoan Tala)	1.0000
Iraq (Iraqi Dinar)	1.0000	Puerto Rico (Puerto Rican Escudo)	1.0000	Yugoslavia (Yugoslav New Y. Dinar)	99.4155
Israel (Israeli Sheqel)	1.0000	Romania (Romanian Leu)	1.0000	Zaire Republic (Zaire Zaire)	5.2745
Italy (Italian Lira)	1.0000	Rwanda (Rwandan Franc)	1.0000		

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

Major RSV yard to be run-down

BY CHARLES BATCHELOR IN AMSTERDAM

A MAJOR shipbuilding yard is to be closed in the Netherlands (RSV) group would use an assembly yard for sections built elsewhere or a plan proposed by the Economics Ministry. This yard, which would cost between £180-400m, has yet to receive the approval of the Cabinet and has been vetoed by the trade unions.

The Dutch Government last announced a plan to close the RSV yard in return for capacity. At the same time it said it assumed responsibility for the large yard, belonging to the subsidiary VDSM, from July 1, 1979, while it considered what to do with the largest in the Netherlands.

Gijs van Aardenne, Economics Minister, now proposes reducing VDSM's activities to the assembly of vessels

and offshore structures built at other yards within the RSV group and elsewhere in the Netherlands. This would have the advantage of complementing the activities of another RSV yard, that of NDSM in Amsterdam, which was recently restructured and with only enough capacity to make ships sections, but not complete vessels.

The latest proposal for VDSM would mean that many "overhead" functions of the yard in Rotterdam, near Rotterdam, such as planning and control, would be abolished leading to the loss of 500-600 jobs. This would cost more than the £180m needed to shut the yard down completely but less than the £400m proposal made by the unions for keeping it open, the Economics Ministry pointed out.

The FNV industrial union sees the Economics Minister's

proposal as the first stage in the total closure of VDSM. The Cabinet has, however, asked the Economics Minister to provide more details of his plan before deciding whether to approve or reject it.

VFW-FOKKER, the Dutch-West German aerospace group yesterday announced that it made a small profit in 1978 after the substantial loss the year before. It described 1978 as a year of consolidation after the restructuring of the German operating company in Bremen which followed the ending of its VFW 614 short-haul jet programme.

The central holding company of the two-nation aircraft group reported a net profit of DM 551,000 (£290,000) in 1978 compared with the record loss of DM 157.7m (£83m) the year before. Last week, the German end of the venture also

announced a turnaround from heavy deficit to a small profit. Increased demand for the A300 Airbus almost compensated for the effect of the decision to end VFW 614 production at Bremen. The present level of orders for the A300 and the plans to develop the A310 version guarantee work under the Airbus programme until at least 1982.

The poor demand for the F27 and F28 aircraft led to short-time working in Amsterdam in the first half of the year, but the assembly of the F16 fighter and increased production of the Airbus led to an improvement in the second half.

The increased tempo of these aircraft programmes is expected to lead to a rise in sales following the 4.1 per cent fall to DM 1.63bn (£858m) in 1978. Profits will be hit though, by losses on the Airbus programme and lower sales prices for the F27 and F28.

Sumitomo plan to lift Toyo Kogyo stake

SUMITOMO BANK has asked Sumitomo group companies to increase holdings of Toyo Kogyo shares so as to raise combined shareholdings to more than 20 per cent from the present 14 per cent.

Sumitomo Bank, the main bank for Toyo Kogyo Company, said the measure is necessary to strengthen Sumitomo's position against Ford Motor of the U.S.

Toyo Kogyo, which manufactures Mazda vehicles, last month reached basis agreement with Ford for the latter's 20 per cent stock acquisition in Toyo Kogyo.

Meanwhile, Nissan Motor Co. said it hopes to acquire 100 per cent ownership in the Japanese U.S. joint concern, Nippon Jido Hensokuki Company (Japan Automatic Transmission Company), from Ford Motor Company and Toyo Kogyo Company this year.

The joint concern, 50 per cent owned by Ford and 25 per cent each by Toyo Kogyo Company and Nissan, was established in 1970 to produce automatic transmissions for vehicles using a Ford licence.

Downturn at Wearne Brothers

By George Lee in Singapore

WEARNE BROTHERS, the major local motor trader, is already feeling the effect of the decline in the motor vehicle market in Malaysia.

For the half year to March 1979, Wearne reported a 13.9 per cent fall in group pre-tax profit to S\$13.38m (U.S.\$8.07m) despite an 8.7 per cent rise in turnover to S\$176m.

With the estimated tax charge for the half year falling by 17.5 per cent, Wearne's post-tax profit was 10.6 per cent lower at S\$7.24m.

Besides the decline in the Malaysian car market, the group also blamed "pressures on margins" for the fall in profitability. However, its share of vehicle sales improved in the Singapore market which remained steady.

Performance in the second half of the current financial year is expected to be marginally better than that of the first half. The group has declared an unchanged interim gross dividend of 5 per cent.

Santos EGM adjourned

By Our Sydney Correspondent

THE EXTRAORDINARY meeting of Santos, the South Australian gas producer, turned out an anti-climax in Adelaide at the end of last week—with the group's biggest shareholder, Bond Corporation, being effectively quietened by the board, which ruled that the large press contingent attending be excluded from the meeting.

Despite the attendance of 250 shareholders, the meeting—called by the Bond Corporation chairman, Mr. Alan Bond, to condemn South Australia's legislation which limits shareholdings in the company to 15 per cent—lasted only 40 minutes, then was adjourned to a date to be set.

Afterwards, Mr. Bond, whose company is in a group presently holding 37.5 per cent, said that this had been done to enable the board to investigate proposals to be put to the Government as suggested amendments to recently enacted legislation.

Arab Bank buys Morgan Grenfell half of venture

BY RAMI G. KHOURI IN AMMAN

THE ARAB BANK has become full owner of the Arab and Morgan Grenfell Finance Company, by buying out the 50 per cent share of the capital held by Morgan Grenfell and Company. Officials of the Amman-based Arab Bank, the biggest commercial bank in the Arab world, said that the Arab and Morgan Grenfell Finance Company would soon undergo a name change to reflect its full ownership by the Arab Bank.

It would remain as the Arab Bank's merchant banking arm in London, but would concentrate more on business in the Arab world itself, reflecting the increase in investment banking work the Arab Bank has become involved in recently.

The Arab and Morgan Grenfell Finance Company was established in 1973 with an issued capital of £250,000. It recently lost the services of its chief executive, Mr. Tarek Kassem, who will be replaced shortly, with the change in name of the company.

Khalid Shoman, the deputy chairman of the Arab Bank, said in Amman that there were no plans to open any new offices abroad for the new subsidiary, as its business could be conducted most efficiently from its London headquarters.

Michael Lafferty writes: Morgan Grenfell confirmed that it has sold out to the Arab

Bank, but stressed that relations between the two banks continue to be close. Mr. David Douglas-Hume, a Morgan Grenfell director, will remain on the Board of the Arab Bank subsidiary, which is expected to be renamed as Arab Bank Investment Company.

Up to now the bank has been concerned with organising medium-term rollover loans for both the Arab Bank and Morgan Grenfell. Mr. Douglas-Hume said yesterday that it now wanted to develop into a fully-fledged merchant bank in its own right. Split ownership was no longer appropriate because of potential conflicts of interest.

Upturn at Australian sugar mill group

BY JOHN ROGERS IN SYDNEY

PIONEER SUGAR MILLS yesterday reinforced the improved outlook for Australia's sugar groups when it reported a 156 per cent profit improvement from a depressed A\$1.78m to A\$4.6m (U.S.\$3.1m) and an increased dividend for the year to March 31.

The latest result was achieved on only a 6.4 per cent gain in turnover from A\$55m to A\$59.6m demonstrating the company's cost cutting and improved mill efficiency.

Tax took A\$3.17m compared with a benefit of A\$794,000 last time, depreciation A\$3.09m against A\$3.05m and interest A\$1.54m against A\$1.07m. Earnings jumped from 4.3 cents to 15.8 cents a share.

The total dividend payout was 7.5 cents compared with 5 cents last year with the final up from 2.5 cents to 4.5 cents a share. However the total dividend is still below the group's 1976-77 level of 12 cents a share.

Pioneer's result closely follows the fortunes of Australia's premier sugar stock CSR which—despite earlier gloomy predictions—experienced a 50 per cent jump in sugar profits to A\$20.7m as part of its A\$50m record result.

performance of the cattle stations division, said "earnings were affected significantly by the increase of 155 per cent in net market value of live-stock. Accordingly A\$1.97m has been transferred to a special livestock reserve.

On sugar they said "although overall production was 9.7 per cent less than the previous year, the average price per tonne increased by 7 per cent."

Overall raw sugar production fell from 406,000 tonnes to 367,000 as the company complied with instructions from the Queensland Sugar Board to restrict production to individual mill peaks as part of Australia's contribution to the world sugar agreement.

The groups chemical arm, Pioneer Chemicals, improved its contribution from A\$72,000 to A\$170,000.

Pioneer's result closely follows the fortunes of Australia's premier sugar stock CSR which—despite earlier gloomy predictions—experienced a 50 per cent jump in sugar profits to A\$20.7m as part of its A\$50m record result.

Hulett's raises dividend

By Our Johannesburg Correspondent

HULETT'S CORPORATION, one of South Africa's leading sugar producers, raised its turnover by 12.2 per cent in 1978 over the year to March 31, 1979, and pre-tax profit substantially more sharply—by 35.2 per cent to R38.28m (\$45.3m) from R27.69m in 1977-78.

Net income in South Africa rose 26.9 per cent to R25.5m while foreign income, mainly from the company's Rhodesian interests, increased 76.5 per cent to R1.2m.

A final dividend of 25 cents has been declared, against 18c previously, raising the year's payout to 37c, against 28c, to show a yield of 14.2 per cent at the previous closing price of 280c on the Johannesburg Stock Exchange.

Earnings from the company's paper and transport divisions were better than expected, giving some relief to the battling sugar division.

The Hulett's subsidiary, Hulett's Aluminium (Hulanum), in which Alcan has a 24 per cent stake, increased its turnover by R15m to R87m for 1978-79. After a deduction of R1.8m for inflation adjustment, Hulanum declared a taxed profit of R4.1m, up 8.3 per cent on the previous year.

Caution over new monetary instruments

BY WONG SULONG IN KUALA LUMPUR

A TOTAL of 188m ringgit (\$82.4m) has been issued in bankers acceptances (BAs) and negotiable certificates of deposit (CDs) since these two new monetary instruments were introduced in the Malaysian market last month.

Dr. Lin See Yan, the economic adviser of the Malaysian Central Bank, said 89m ringgit were issued as BAs and 127m as CDs.

Reviewing the response by the Malaysian business community towards the new money instruments, Dr. Lin said trad-

ing was quite active during the first three weeks of May, but the market had quietened somewhat of late.

He said the hesitancy in dealing with the instruments could be due to no more than doubt or insufficient understanding of their nature, character and mode of dealing, while some foreign companies were waiting for approval from their head offices before dealing in them.

He said the business community had exercised more

caution than necessary in approaching these facilities but added he was confident the situation would become more relaxed as more experience was gained in the issue and marketing of the instruments.

So far, all 13 banks authorised to issue CDs had done so, with financial institutions as the main buyers, while 10 commercial banks and eight merchant banks had accepted BAs for their customers, with 18 commercial banks and six merchant banks having participated in the secondary market.

Jockerill reduces deficit

Our Financial Staff

JCKERILL are reported to have reduced their deficit by an eighth to Bfr 6.41bn (72m).

The company's productivity rose last year and but for losses in depreciation, investments and rising costs, mill's losses would have far lower. On a comparable basis, the better productivity has lopped Bfr 2bn off deficit, Baron Clerdent, lent explained.

phasising the improved outlook for production, he said that parent company increased output in the five months of this year by 2.19 tonnes. Sales the period had risen by 10.1 per cent in 1978 to 53bn. Group figures, led for the first time, a net 1978 loss of Bfr 6.41bn on sales of Bfr 94.7bn.

kerill parent company carried forward into 1979 a Bfr 18.7bn from Bfr 1.9bn a year earlier. already announced, the and regional authorities has a 28.8 per cent holding kerill to help it overcome effects of the steel crisis.

Lauritzen es modest improvement

Lauritzen's shipping, building and industrial

said that a modest improvement in earnings could be expected this year, but because of difficult market conditions, earnings will still be satisfactory.

group's turnover in 1978 rose from Dkr 3.8bn to 4.7bn. Operating profits fell Dkr 46m to Dkr 49m (7m)—the 1978 figure is a Dkr 94m for ship sales. Other years, the proceeds such sales have not been in the profit and loss account.

earnings were down from 357m to Dkr 169m. The company, Vesterhavet, will pay an unchanged dividend. up assets increased from 4.7bn to Dkr 5.3bn, but capital was down from 1.44bn to Dkr 1.39bn, owing to the annual report. decline in 1978 earnings blamed on the group's ng activities.

CdF Chimie expects better year

BY TERRY DODSWORTH IN PARIS

THE FRENCH chemicals group CdF Chimie, owned by Charbonnages de France, the nationalised coal company, is forecasting better results for 1979 following an unsatisfactory year in 1978 which produced final losses of Ffr 262m (\$60m).

Blame for the continuing difficulties at CdF Chimie, one of the country's main chemical companies, is placed on the poor market conditions in the plastics industry. In addition, it was hit by operating problems following an explosion in its ammoniac plant at Carling, and by production difficulties at its new styrene factory.

CdF's poor results, which follow even larger group losses of Ffr 320m in 1977, mean that the future of its big new petrochemicals complex at Dunkerque is left in question.

The first part of this steam cracker went into operation in November last year, but the group admits that it needs outside finance to complete the unit. It has looked to the oil state of Qatar, which took a 40 per cent stake in the first tranche, to come up with the money for the second stage, but this has not been agreed as yet.

A resolution of the difficulties at Copenor, the subsidiary which runs the Dunkerque plant, is important for the group because of the high fixed costs in operating a petrochemicals complex. Copenor has also used up large slices of investment finance, including Ffr 553m last year out of a total group outlay of Ffr 900m (Ffr 686m in 1977).

CdF Chimie says that it is continuing to employ tight management policies to reduce

its losses, including a freeze of new appointments and on non-essential projects. But it says that the effects of these measures have been undermined by the tight margins in the chemical sector.

Last year's results consolidate for the first time the APC affiliate, giving an improved look to the profits figures. CdF's net losses, excluding APC, came to Ffr 74m against Ffr 46m in the previous year. Consolidated losses, however, including APC, came to Ffr 262m, against Ffr 320m in 1977.

The figures also show that some 35 per cent—Ffr 2.3bn—of CdF's turnover came last year from overseas. Total turnover amounted to Ffr 6.8bn against Ffr 4.8bn in 1977.

Earnings recovery at Losinger

BY JOHN WICKS IN ZURICH

SWITZERLAND'S leading construction company, Losinger AG, lifted group turnover from Sfr 490m to Sfr 516m (\$297.9m) last year. Of this, some Sfr 214m was accounted for by foreign contracts.

Losinger, which booked new orders worth Sfr 445m during the year and an end-year order total of Sfr 423m, recorded an improvement in net profits from Sfr 39.61m to Sfr 165.69m for the parent company, but is expected to pass a dividend for the year.

Consolidated net profit rose from only Sfr 9,308 in 1977 to Sfr 364,785 last year. Losinger has been suffering in

the past from a severe decline in domestic building activity.

THE SWISS arms and engineering concern Oerlikon-Buehrle has obtained a majority stake in Motch and Merryweather Machinery Company of Cleveland, Ohio. It intends to take over the remaining shares later.

Motch and Merryweather is a manufacturer of machine tools and mechanical handling equipment and recorded a 1978 turnover of \$118m.

The acquisition cost \$40 per share. Apart from its manufacturing programme, M and M represents a number of leading American and European

machine-tool producers on the U.S. market.

OERTLI AG, the Swiss heating equipment company, has acquired the American burner manufacturer ABC-Sunray Corporation.

The addition of ABC-Sunray, which with an annual output of over 100,000 burners is the third biggest producer in the U.S., means a doubling of Oertli group capacity in this sector and an increase in turnover to more than Sfr 100m a year.

Oertli, which is believed by this move to have become the world's biggest burner manufacturer, is part of the Swiss group, Walter Meier Holding.

Sapmaz group doubles profits

BY METIN MUNIR IN ANKARA

DOUBLED profits are reported for 1978 by the Sapmaz group, the largest textile company in Turkey.

Sales last year rose by 80 per cent to the equivalent of \$208m helping to lift profit by a full 110 per cent to \$23m. The group produces a wide range of textiles, including cotton and wool yarns, synthetics, imitation furs and carpets.

Mr. Munel Tekveli, Sapmaz's foreign relations manager, said in an interview that Sapmaz could "easily" export \$50m worth of textile products this year and that Turkish textile industry's total export capacity was as high as \$500m per

annum. Exports were, however, at a low level because inflation and high demand at home made local sales more lucrative than sales abroad.

Textiles are Turkey's most advanced industry. Yarn and textiles constitute 15 per cent of total exports and 45 per cent of industrial exports.

The Durmus Yasar group, the industry conglomerate based in Izmir, reports record turnover in profit figures for 1978. Pre-tax profit was the equivalent of \$20m, an increase of 66 per cent. Turnover at \$113m was 32 per cent higher than in 1977.

"One should not make too much of these numerical in-

creases in profits," said Mr. Ali Nail Kubali, director of planning and investment. "These increases are mostly the result of inflationist pressures."

Mr. Kubali said that he was unable to say what results he expected from 1979. Much depended on the availability of imported raw materials. The prospects were not bright owing to the continuing foreign currency shortage. The group's fertiliser plant had stopped production a fortnight ago owing to the lack of imported inputs.

Durmus is prominent in paint manufacture, tourism, dairy and fertilisers.

SAVINGS BANKS IN AUSTRIA

Structural planning leads to clash of ideals

BY PAUL LENDVAY IN VIENNA

PUBLIC debate over the future of Austria's savings banks, sparked off by the 1977 passing of a controversial revised banking laws, is being increasingly vocal.

Latest clash of ideals centres around the structure of the sector. Herr Jansjoerg, chairman of the Federal Association of the savings banks, has argued that the number of savings banks could be reduced through integration of larger units.

Suggestions have been recently rejected by the main and chief executive of Girozentrale, the second largest bank in Austria. Girozentrale head, Dr. Karl Pale, declared that there is no change in structure which is ideally the small and medium-sized institutions.

A new legislation has listed not only the opening bank branches but also access to the Austrian capital market. The two largest savings-based institutions, Zentralsparkasse (total assets 757m) and the First Bank (Sch 544m) have begun to float their own issues. In competition the

Girozentrale has taken the lead in setting up a so-called "Sparkassenfinanzierungs AG" with 85 per cent of its capital of Sch20m held by 19 savings banks and the rest by Girozentrale. This will serve the entire sector as a source of funds.

Another bone of contention within the debate over the new banking laws is the end of the "regional principle" which until this year set limits to the territorial expansion of savings banks. The Vienna-based major banks operate now through their own merchant banking arms. First Austria has taken over a small private bank, and Zentralsparkasse has acquired control over a former hire-purchase institute.

As a counter-move, four big provincial banks—those of Salzburg, Innsbruck, Linz and Dornbirn—have decided to set up their own Vienna branch to be called "Westbank."

Dr. Pale, who is intent on both preserving the permanent position of the Girozentrale and the present structure of the savings banks sector, has also listed as an argument in favour of close co-operation as the majority holding of the Girozentrale in various loan and factoring companies which serve the entire sector. Furthermore,

Sparinvest, run by the Girozentrale, has a market share of over 70 per cent in the mutual funds operating in Austria.

Meanwhile, the relationship between Girozentrale and the Vienna savings banks is subjected to recurrent tensions. The Zentralsparkasse and the First Austrian Savings Bank are in the unusual position of simultaneously acting as shareholders, clients and lately also competitors of the Girozentrale.

Under the new law, 10 per cent of savings deposits and 20 per cent of other deposits must be held with the central institute. Savings banks whose assets are equivalent to 40 per cent of the balance sheet total of the Girozentrale will be able in future to withdraw their liquidity reserves within three years of giving formal notice. However, there is no sign of such a radical rupture at present.

But the Viennese banks are pressing for more scope. Thus for example they have begun to press for a separation of the Zentralsparkasse from the Girozentrale, the central building society, from the Girozentrale and a 25 per cent holding each in the future company. The Girozentrale sees no reason for a drastic change. Nor apparently

is the Austrian treasury willing to issue new permits before the drawing up of new legislation for the building societies.

The savings banks currently account for 32 per cent of the aggregate deposits and 27 per cent of the outstanding loans in Austrian banking. Thus, the shifts within this sector affect the entire economy.

With Bawag, the union bank taking over the Konsum-Bank and gaining easy access to the consumer co-operatives and the post office savings bank also seeking a growing market share for itself, the conventional savings banks will be hard pressed to defend its trading position.

This in the end may well prove to be the most persuasive

argument in favour of continued close links between the savings banks, the "giants" in Vienna and the Girozentrale which regards itself as a shield for protecting the independence of the larger and smaller savings banks all over the country.

BRAZILIAN INVESTMENTS S.A.
Net Asset Value as of 31st May, 1979
Per Depositary Share: U.S.\$97.98
Per Depositary Share (Second Series): U.S.\$72.44
Listed The London Stock Exchange

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD.
45 Canvey Island, London EC3V 3PB - Tel: 01-623 6314
Index Guide as at June 7, 1979
Capital Fixed Interest Portfolio 114.50
Income Fixed Interest Portfolio 105.00

This announcement appears as a matter of record only.

May 1979



SIP

Società Italiana per l'Esercizio

Telefonico p.a.

U.S. \$50,000,000

Medium Term Credit Facility

Guaranteed by:

STET

Società Finanziaria

Telefonica p.a.

Managed by:

Orion Bank Limited Credito Italiano

Marine Midland Bank The Mitsubishi Bank, Limited

Westdeutsche Landesbank Girozentrale

BANK FOR INTERNATIONAL SETTLEMENTS REPORT

THE \$ AT THE EYE OF THE STORM

The Bank for International Settlements in its annual report for 1978 records a year in which foreign exchange turmoil, centred on the decline of the dollar, left its mark on a number of important developments in the world economy.

The upsurge in international inflation at the turn of 1978/79, the expansion in world liquidity, the borrowers' market in international bank lending, large divergences in the balance of payments positions of the major industrialised countries, and a growing move towards reserve currency diversification, are all the BIS suggests, related to the fundamental problem of the dollar.

The bank's main policy recommendation is that the U.S. authorities maintain their move towards restoring confidence in the dollar and improving the balance of payments.

This would not only solve a number of inter-related problems relating to the world monetary system such as the rising liquidity and reserve diversification, but would also help a pattern of more convergent growth policies among the major industrialised countries and ensure a sound basis for the operation of the European Monetary System.

New stress on exchange rate stability

LAST YEAR'S currency crisis has forced the major industrialised countries to put into effect a greater commitment to stabilise exchange rates. This is the conclusion of a detailed analysis of foreign exchange market developments contained in the Bank for International Settlements' annual report.

After last year's exchange rate turmoil, which the BIS says was on a scale comparable only to that which led to the final collapse of the Bretton Woods system in 1973, the U.S. has now joined other major countries in acknowledging that markets, left to themselves, can produce exaggerated movements in exchange rates that are damaging to the domestic economy.

In addition to the change of U.S. policy, EEC countries have set up the European Monetary System in a bid for more exchange rate stability in the Common Market area.

keeping the D-Mark well above the level of SwFr 80 for DM 100.

Common to these decisions is the belief both in countries with persistently strong currencies like Germany and Switzerland, and in France and Italy, which had earlier withdrawn from the European joint float, that greater exchange rate stability is a pre-requisite for dealing with domestic economic problems.

The shift in official policies has proved remarkably successful since last autumn. But the position in late 1978, with large oversold positions in the dollar, wide interest rate differentials favouring the dollar, and clear signs of reduction in some payments imbalances, was particularly favourable.

The BIS warns that the real test of such policies will come when circumstances are less propitious, and it will not be easy to maintain more stable exchange rates in the future.

progress of the system require more than the mere absence of a new dollar crisis.

Whenever changes in central rates become unavoidable, they should be carried out swiftly and smoothly. But there are obstacles in the way of such

ANALYSIS
BY
DAVID MARSH
AND NICHOLAS
COLCHESTER

decisions which can only be overcome with a combination of political will, technical skill and good luck.

The large current account deficit of the U.S., together with a sizeable movement of official and private funds out of the dollar, produced another massive increase in global reserves last year.

Total reserves, including gold valued at SDR 35 per ounce, increased by \$44bn last year to \$383bn, having gone up by \$80bn in 1977.

The recovery of the dollar in early 1979 seems to have brought this expansion to a halt. The reversal of previous speculative inflows into Germany, Japan and Switzerland, led to a reduction of \$16bn in these countries' combined reserves in the first four months of the year, after they had gone up by \$32bn in 1978.

Other big reserves increases last year were recorded by the developed countries outside the Group of Ten and Switzerland and the non-oil-developing countries.

OPEC countries' reserves dropped by \$15bn, \$3.3bn of which was due to an accounting change by Saudi Arabia, compared with a gain of \$11bn in 1977.

The dollar's decline gave impetus to diversification of foreign exchange holdings,

which all together rose \$43bn last year, or \$48.3bn on an adjusted basis, taking into account the Saudi Arabian accounting change.

On this basis, \$30.2bn of the total was invested in dollars in the U.S. \$10.3bn in identified deposits on the Euromarket and \$6.4bn in identified non-dollar deposits in national markets.

Almost all the identified increase of \$10bn in official Euro-currency deposits last year was in currencies other than the dollar, notably the D-mark, Swiss franc and yen.

Thus, nearly all the \$16.7bn identified increase in exchange reserves held outside the U.S. appears to have been in currencies other than the dollar.

Leaving out of account the increase in the U.S. exchange reserves, the remaining \$12.3bn growth in non-dollar exchange reserves was accounted for mainly by non-Group of Ten countries.

likely to become more pronounced if the U.S. authorities decide to build up their foreign exchange reserves, since they by definition will have to be in currencies other than the dollar.

The BIS says that the rapid increase in the reserves of oil importing countries over the last three years does not seem to have been excessive.

With few exceptions, the countries are still in a less comfortable reserves position, in relation to both imports and external indebtedness, than at the end of 1973.

If reserve growth were to continue at the same rates in 1977 and 1978 and for the same reason, and if the borrower market for banking credit were to persist, there could be cause for concern about the level of international liquidity.

New levels reached in foreign lending

THE EXPANSION of foreign banking business reached "unprecedented proportions" in 1978 according to a review of the international credit and capital market in the annual report of the BIS. Because this happened under conditions of slack loan demand and great international liquidity the result was a "further compression of bank earning margins to levels that seemed to be based on the assumption of a future without problems or losses."

The BIS expresses obvious concern at this development, noting that "it is not easy to see how these (lending) spreads can leave scope for building up adequate provisions against future losses." It observes: "with the front end fees from new loans usually credited to the banks' income for the current year, this negotiation of lower lending margins tended to have a favourable impact on the banks' profits situation last year, but is liable to impair their earnings potential in the longer run."

The BIS figures show that the total external assets of the major Western countries grew by \$213bn last year, or twice as much as in 1977, to a total of \$903bn. This growth was inflated by three factors:

(a) the fall in the dollar relative to all other currencies; (b) the rise in short-term inter-bank deposits which resulted from the currency unrest of 1978; and (c) the inclusion of new elements into the BIS compilation. Taking out the inter-bank element the BIS says that the growth of international bank credit accelerated from \$75bn to \$110bn in 1978 giving a net total of international lending at the end of the year of \$540bn.

The BIS pins down four factors which led to there being a lot of liquidity for the international banks to deploy. (1) Slack loan demand in the U.S. and the desire of foreigners to borrow a weakening currencies saw big dollar outflows from the U.S., both from banks and non-banks; (2) Surplus countries (for instance West Germany, Japan) followed easy money policies to prevent their exchange rates appreciating. This provided the banks from these countries with "plenty of ammunition for lending abroad."

3.—The vast U.S. official settlements deficit boosted world official exchange reserves. 4.—Banks sought to step up their international lending business because of their difficulties in reaching the desired rate of expansion at home.

Inflation and the price of oil loom large as the twin dangers

THE acceleration in international inflation this year poses a major threat to the world economy, and will almost certainly swing the thrust of governments' demand management policies away from combating unemployment towards countering rising prices.

This is one of the principal themes running through the Bank for International Settlements' annual report.

The rise in inflation has taken place against the background of a revival of economic growth in Europe coming on top of expansion in North America and Japan.

At the same time, inflation is re-appearing in many countries where, by conventional standards, there are still large margins of unused capacity and substantial unemployment.

Some of the most unexpected and sudden increases have also taken place in countries which earlier had been most successful in bringing inflation under control—notably West Germany, Switzerland and, to a lesser extent, Japan.

The recent oil price increase and the boom in the market for industrial raw materials, coupled with the revival of inflation in individual countries,

foreshadow new dangers.

These forces may produce a constellation of cyclical developments and policies which, without bringing world inflation under control, may undermine the process of current account adjustment which started a year ago, leading simultaneously to renewed currency unrest and a major recession.

At a time when U.S. demand conditions still seem to be buoyant, this could well happen if restrictive measures were concentrated in the traditionally conservative, strong-currency countries rather than in the U.S.

The new tendency in 1979 for world inflation rates to become more convergent, but in an upward direction, contrasts with the position in 1978, when inflation rates became more divergent between the U.S. on the one hand, and most of Western Europe and Japan on the other.

The BIS report suggests that the renewed inflationary spurt has wide-ranging implications for countries' demand management policies. It has tended to confirm the need for cautious policies in pursuing expansion of the kind taken in Germany and Japan.

Because of international supply inelasticities, it would appear that the industrial countries can no longer expand very fast as a group without touching off a substantial rise in the price of internationally traded commodities. Internal wage-cost pressures provide a further domestic constraint.

On both domestic and international grounds, the industrial world may have to be content with lower rates of growth than it was accustomed to in the past.

To avoid disruptive movements in exchange rates, these rates of growth should be more uniform than has recently been the case.

Turning to individual countries' growth and inflation policies, the BIS says that on the whole, up to November, 1978, at least, monetary policy in the U.S. was designed primarily to facilitate domestic economic expansion.

In Germany, Japan and several other large countries, it was aimed more at reducing inflation and safeguarding the exchange rate.

The BIS suggests that a monetary stimulus to demand may fairly quickly drain off into price increases with little or no long-term benefit in terms of

lower unemployment.

U.S. policy tacitly assumed the existence of a greater trade-off than did the policy-makers of Germany and Japan who gave more priority to reducing inflation rates.

The BIS also concludes that the decline of the dollar last year showed that a large reserve-currency country like the U.S. cannot rely on floating exchange rates as a means of pursuing independent domestic policies without adverse external repercussions.

The U.S. economy no longer appears in a position to sustain a level of domestic demand significantly higher than that elsewhere.

Concerning countries' monetary policies, the BIS says that the re-emergence of the classic conflicts between domestic and external priorities seems to have emerged under floating exchange rates in a new guise.

With inflation being gradually brought down, the countries which were most successful in curbing monetary expansion have also experienced declines in interest rates and appreciating currency rates—but have had difficulty in stabilising all these three latter variables simultaneously.

OPEC and the payments gap

THE OVERALL world balance of payments structure last year was in much better equilibrium than at any time since 1973, but is likely to move to a greater position of imbalance this year because of the expected increase in the OPEC surplus, the Bank said yesterday.

The favourable developments last year were accompanied by a considerable worsening of existing imbalances within the group of major industrialised countries, as a result of last year's currency crisis.

Last year, the oil exporting countries' current account surplus dropped to \$7bn from \$39bn, and the developed areas of the world moved to a surplus of \$7bn from a deficit of \$28bn.

Non-oil developing countries, while registering an increase in their deficits to \$24bn from \$15bn, were still able to continue to increase their official reserves.

Within the Group of Ten and Switzerland, the combined overall surpluses of Germany, Japan and Switzerland more than doubled to \$25bn while for the second year running the overall balance of payments deficit of the U.S. exceeded \$30bn.

The principal counterpart to the re-emergence of a substantial surplus for developed countries' current account balance of payments was the unexpectedly rapid fall in the oil exporters' surplus, which had ceased to be the major destabilising factor in the world's current payments structure.

The renewed upward movement of the price of oil and other primary commodities since the end of 1978 will certainly put the oil exporters back into substantial surplus and the developed areas of the world into deficit on current account, though not on the post-1973 scale.

Within the group of industrialised countries, the welcome improvement last year in the current account positions of France, Italy and Sweden, as well as the smaller developed countries, was overshadowed by the widening in the gap between the U.S. current account deficit and the surpluses of Germany, Japan and Switzerland.

The sharp imbalance between these countries which emerged in the final quarter of 1977 moderated only slightly in dollar terms last year.

Economic development and trade between the Arab world, Africa and Western Europe

-it's a unique opportunity for your company

In June next year, in Paris, one of the most important exhibitions of the 1980's will be staged. Expansion-Cooperation 1980-1990 will promote economic development and trade between Africa, Europe and the Middle East. It will help identify outlets for agricultural and industrial products, consumer goods, works and services. It will provide a showcase for the developing nations. And it will be attended by ministers, heads of industrial organizations, senior government officials and directors of development projects.

Expansion-Cooperation 1980-1990 will provide a unique opportunity for exhibitors to expand sales, meet potential customers and end-users, and contact Arab investors for projects in the West. Some measure of its importance can be gleaned from the fact that this exhibition, organized with the co-operation of the Arab Bank, is under the patronage of the French Government, the O.P.E.C. Special Fund, the

economic ministries and state trading agencies of many Arab and African countries, regional financial institutions and leading private sector organizations.

Perhaps your company is new to the Arab and African markets. Perhaps it has long experience of doing business in one or more of the countries there. Either way, you will scarcely find a better or more economical opportunity of participating in their economic expansion than in this exhibition.

For further information and exhibition details, British companies should contact Bryan Cassidy or Wendy Jesty, IPC Business Press Limited, Surrey House, 1 Throley Way, Sutton, Surrey SM1 4QQ. Tel: 01-643 8040 Telex: 946564 Bisprs-G. Companies in Continental Europe should contact Emmanuel Olive, Centre National des Industries et des Techniques, Rue Carpeaux F-92806 PUTEAUX (France)—Telephone: (1) 773.66.44—Telex: 612.118 F/CNIT.



C.N.I.T. PARIS LA DEFENSE

9/15 JUNE 1980

INTERNATIONAL EXHIBITION AND FORUMS

1980/ **EXPANSION COOPÉRATION** /1990

AFRICA-EUROPE-MIDDLE EAST

PARTICIPATING COUNTRIES

WESTERN EUROPE

European Economic Community
Belgium, Denmark, France, Ireland, Italy, Luxembourg, Netherlands, United Kingdom, West Germany.

Other Western European Countries

Austria, Finland, Greece, Norway, Portugal, Spain, Sweden, Switzerland.

ARAB COUNTRIES

Middle Eastern Arab Countries

Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Sudan, Syria, United Arab Emirates, Yemen.

North African Countries

Algeria, Morocco, Tunisia.

AFRICA

Angola, Benin, Botswana, Burundi, Cameroon, Cape Verde, Central African Empire, Comoro Islands, Congo, Djibouti, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Niger, Nigeria, Rwanda, Sao Tome, Senegal, Seychelles, Sierra Leone, Somalia, Tanzania, Togo, Upper Volta, Zaire, Zambia.

SCOPE OF EXHIBITION

The list below covers all development plans of African countries and Arab countries of the Middle East and North Africa.

ENERGY

Development of electrical power generation (thermal, hydraulic, nuclear or solar energy).
Transport and distribution.

WATER

Research and operation of resources. Desalination of sea water. Development of basins, dykes, reservoirs.
Transport.

OIL AND GAS

Research, drilling, refining, storage, liquefaction, transport, off-shore.
Petrochemicals.

MINES AND QUARRIES

Research, working, first processing of ores of all types.
Development of research and use of products for building materials and the fertilizer industry.

TRANSPORTATION

Development of infrastructures, road, harbours, waterways, railways, airports, highways and bridges.

AGRICULTURE, LIVESTOCK AND FOOD INDUSTRIES

Agricultural research, fertilization, irrigation.
Control of desert encroachment, soil recovery, mechanization, silos, warehouses.

SECTOR COUNTRIES

Livestock raising, fishing, forestry, sawmills.
Refrigeration, handling, food industries.

COMMUNICATIONS

Posts and telecommunications.
Press, radio, television, audio-visual equipment, printing.

Paper industries

HOUSING AND COMMUNITIES

Housing development, renovation, reconstruction.
Hospitals, dispensaries, schools, administrative premises, offices.

Sports and recreation facilities

Tourism infrastructures, hotels.
Roads, drainage, waste collection and elimination.

Public lighting, urban transport

INDUSTRIALIZATION

Studies, designs, engineering, "turn-key" plants, technical training, transfers of technology, licenses.
The search for new markets. The search for outlets for industrial products and consumer goods.

The sectors most often cited in Development Plans for setting up local industries are:

steel, aluminium, cement and building materials, glass, mineral and organic fertilizers, production and processing of leather and plastics.

Food-related industries: dairies, sugar mills, flour mills, oil plants, canneries, etc.

Clothing, furniture, pharmaceuticals and veterinary products. Assembly plants for: vehicles, electrical and electronic appliances.

SERVICES

Banking, insurance, international trade (import/export), the press and advertising media.
Research, study and other bodies.

INSTALLATIONS AND MAINTENANCE

Development of auxiliary occupations for industry and building.

COMPLETE THIS COUPON FOR FURTHER DETAILS

To: Bryan Cassidy, IPC Business Press Limited, Surrey House, 1 Throley Way, Sutton, Surrey SM1 4QQ.
Or Emmanuel Olive, Centre National des Industries et des Techniques, Rue Carpeaux F-92806 PUTEAUX (France).

Please send me further information and exhibition details of Expansion-Cooperation 1980-1990.

NAME

COMPANY

ADDRESS

WORLD STOCK MARKETS

Wall St. drifts while awaiting OPEC meeting

INVESTMENT DOLLAR

Westinghouse Electric, however, tacked on \$1 at \$181 — it and a Japanese licensee will build 10 desalination plants in Saudi Arabia for under \$250m.

Trading stocks and takeover issues provided most of the interest yesterday. Volume leader Harmschreger, a maker of cranes and material handling equipment, jumped \$6 to \$212.

By 1 pm the Dow Jones Industrial Average was off another 1.38 at \$337.77, while the NYSE All Common Index eased a further 4 cents to \$87.35, while

Closing prices and market reports were not available for this edition.

losses led gains by a seven-point majority. Trading volume, however, fell a further 4.13m shares to 17.9m compared with 1 pm last Friday.

Analysts said investors were mindful of the OPEC meeting later this month and prospects for further increases in oil prices. Supplies were threatened again by a leak which shut down the Alaska oil pipeline temporarily.

They also said the outlook for interest rates and the economy remains unclear and is helping to keep institutional traders on the sidelines.

Later in the day the Government is to release May retail sales figures. Retail sales in April rose 0.5 per cent.

Northrop added \$1 at \$323 — last week it said its share of the MX missile project would be about \$1bn.

Schlumberger improved \$1 to \$74.

The American SE Market Value Index slipped 0.39 to 193.39 on volume of 3.25m (3.83m) shares.

Some Energy shares were hit by profit-taking. Dome Petroleum slipped \$1 to \$413, Canadian Superior Oil \$1 to \$116.

Houston Oil \$1 to \$18; and volume leader Great Basin Petroleum \$1 to \$111.

Dynalene, which has a process to produce oil from coal, advanced \$1 to \$107. Goldfield, which has coal mines in Kentucky, tacked on \$1 at \$11 in active trading.

Dart Industries slipped \$1 to \$421 — El Paso will buy Dart's share of the joint oilfields venture for \$115m.

Bally Manufacturing rallied \$1 to \$431. Del E. Webb added \$1 to \$171 and Resorts International A moved up \$1 to \$451.

Amulund tumbled \$6 to \$231 — it expects a breakeven second quarter and full year profits "materially below" those of 1978.

Canada

With the exception of Banks, which firmed 0.77 to 281.75 on index, markets were broadly lower in moderate trading

yesterday morning, when the Toronto Composite Index fell 9.1 to 1581.1.

The Oil and Gas Index dropped 4.0 to 2,695.5. Golds gave way 4.0 to 1,945.3. Metals and Minerals 2.4 to 1,289.5. Utilities 2.4 to 1,289.5.

Hudson's Bay Oil fell \$1 to \$701. Dome Petroleum \$1 to \$491. Imperial Oil "A" \$1 to \$341, while Gulf Canada at \$56; and Shell Canada at \$23; each slipped \$1.

Norcen Energy lost \$1 to \$241. Bell Canada \$1 to \$221 and TransCanada Pipe \$1 to \$231.

Tokyo

Share prices closed sharply lower, led by Blue Chips and "populars" in full trading.

The Market Average fell \$4.97 to 6,065.19, in a volume of 120m shares. The Tokyo Stock Exchange index closed at 437.87, down 4.26.

Investors were generally reserved on growing concern over a rise in crude oil prices and a possible credit squeeze in Japan.

Recently selected Oils and Mineral Resources fell sharply on liquidations and profit-taking. Nippon Oil dipped 70 to 1480.

Koa Oil Y83 to 567, Mitsui Mining Y30 to 61, Tokai Oil Y38 to 731 and Arabian Oil Y250 to 4820.

Export-Oriented issues also declined, followed by Shipbuilding, Chemicals and "Big-Capital" issues.

Switzerland

Prices eased slightly, reflecting the sharp rise of Swiss Wholesale Prices in May.

Swissair fell Fr 3 in Transport on some selling pressure.

Banks were little changed. Among irregular Financiers, Motor Columbus were down ahead of the Press conference on the activities of its Mobag subsidiary scheduled later yesterday.

Industrie Holding fell on reported lower earnings and proposed dividend reduction, while Oerlikon-Buehler Bearer rose Fr 25.

Insurances were off in light volume.

Chemicals were steady. In Metals and Engineering, Sulzer Registered and Participation Certificate each pointed higher, while Alusuisse and Brown Boveri Bearer eased.

Domestic and Foreign Bonds were slightly irregular.

Dollar stocks traded around previous New York closing levels. Dutch Internationals were barely steady, Germans narrowly mixed, while Anglo-German South African Mining Financials.

Paris

Markets were mixed to quiet featureless trading.

Banks, Foods, Electricals, Chemicals and Oils were mixed, while Investments, Properties and Mechanical Engineering, Arms, Motors, Construction, Metals and Department Stores eased.

La Redoute SA dropped FF 15.9 to 47.0 after announcing net profit in year ended February 28 almost unchanged from last year.

In Foreign shares, Americans, Germans and Gold Mines were firm, Dutch were steady, while Oils and Coppers eased.

Germany

Movements were mixed as buying interest dried up during the later stages.

Chemicals were mostly higher, with BASF, IG Farben and East DM 1.3 and Bayer DM 0.5.

Motors remained depressed, with VW down DM 4, BMW DM 1.50 and Daimler DM 0.5, while

NOTES: Overseas prices shown below exclude premium for dividend payments after withholding tax. DM 500 million unless otherwise stated. Prices based on net dividends.

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Industrie Holding fell on reported lower earnings and proposed dividend reduction, while Oerlikon-Buehler Bearer rose Fr 25.

Insurances were off in light volume.

Chemicals were steady. In Metals and Engineering, Sulzer Registered and Participation Certificate each pointed higher, while Alusuisse and Brown Boveri Bearer eased.

Domestic and Foreign Bonds were slightly irregular.

Dollar stocks traded around previous New York closing levels. Dutch Internationals were barely steady, Germans narrowly mixed, while Anglo-German South African Mining Financials.

Paris

Markets were mixed to quiet featureless trading.

Banks, Foods, Electricals, Chemicals and Oils were mixed, while Investments, Properties and Mechanical Engineering, Arms, Motors, Construction, Metals and Department Stores eased.

La Redoute SA dropped FF 15.9 to 47.0 after announcing net profit in year ended February 28 almost unchanged from last year.

In Foreign shares, Americans, Germans and Gold Mines were firm, Dutch were steady, while Oils and Coppers eased.

Germany

Movements were mixed as buying interest dried up during the later stages.

Chemicals were mostly higher, with BASF, IG Farben and East DM 1.3 and Bayer DM 0.5.

Motors remained depressed, with VW down DM 4, BMW DM 1.50 and Daimler DM 0.5, while

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Companies and Markets

Bangladesh
raises
ute prices

Our Commodities Staff

VLADIVOSTOK HAS raised its minimum prices by up to 10 per cent in anticipation of a sharply reduced crop this year. Rough conditions have seriously affected the germination of new crop plantings and year's harvest, which is due to be gathered over the next three months, could be 10 per cent below normal, officials said.

Higher grades of jute are expected to be worst affected and these which have suffered biggest price rises.

Control prices for tossa have risen by up to £20 a tonne for "A" grade going up to £247 to £267, "B" grade by £15 to £252, "C" by £10 to £237 and "D" by £5 to £225 respectively while "E" and "F" grades are up to £214 and £189.

London traders warned, however, that actual price rises will be still higher.

From Dacca, meanwhile, reports that Bangladesh's month-long drought has broken by monsoon rains, but fears of an imminent moderate to heavy rain was feared in all parts of the country at the weekend and in east and south falls over one and a half inches on day.

Further reports forecast rain throughout Bangladesh over the next few days.

alm oil
input up

LA LAMPUR—Peninsular Asian crude palm oil production rose to 138,235 tonnes from 142,046 tonnes in May, 1978.

Statistics Department figures output for the first quarter 79 totalled 440,448 tonnes at 389,905 tonnes in the period last year.

Exports of crude palm oil fell by 10,213 tonnes in the first quarter, from 23,522 tonnes in the first quarter of 1978 to 13,309 tonnes in the first quarter of 1979.

Canadian producers curb
world nickel price rise

BY JOHN EDWARDS, COMMODITIES EDITOR

FALCONBRIDGE Nickel of Canada confirmed yesterday it is raising its world price for nickel by 15 cents a lb—a similar increase to that announced by International Nickel last week. Cuban Nickel, Habana, the Cuban nickel producer, said it has raised prices by a similar amount.

So the French-based Le Nickel group is now the only producer to have raised its price by the larger amount of 33 cents to \$3.20 a lb for melting grade nickel compared with the new price of \$3 announced by the other producers.

It is generally expected that Le Nickel will be forced to reduce its price increase to 15 cents to remain competitive with other suppliers, but its time and see how the market

situation develops.

It is not clear yet how soon full production can be restored at Inco's Sudbury mines after the nine-month stoppage there.

Nickel prices eased again on the London Metal Exchange yesterday when the three months quotation fell from \$3.25 to \$3.2325 a tonne.

Lead also lost ground again yesterday. A rise in LME warehouse stocks, up by 875 to a total of 16,700 tonnes, when a fall of some 300 tonnes had been forecast, encouraged further profit-taking selling. Cash lead fell by \$12 to \$678 a tonne.

A big fall in copper stocks, down by 9,225 to 209,575 tonnes, helped bring an early rise in prices. But profit-taking, prompted by a turnaround in New York, brought values back

again and cash wirebars closed only 2.5 higher at \$903.

Noranda of Canada confirmed office workers at its Gespe mine had voted in favour of a settlement, reached at the weekend, and a full return to work has started, ending the seven-month strike there.

Aluminium opened firmer on an announcement by Alcan in Montreal that a conciliation meeting on the strike at three of its Quebec smelters had broken down without a settlement being reached. However, profit-taking sales brought an easier trend in later trading and cash aluminium closed \$3 down at \$786 a tonne.

Aluminium stocks in LME warehouses rose by 675 to 23,350 tonnes. Zinc stocks fell by 2,050 to 68,500 tonnes, while silver holdings were unchanged.

EEC seeks
long-term
NZ deal

The European Community

is exploring the possibility of drawing up a long-term deal allowing access to the UK for New Zealand dairy products, meat and lamb, Mr. Robert Muldoon, New Zealand Prime Minister, disclosed in London yesterday.

The idea, which was welcomed by Mrs. Thatcher at lunch yesterday, was launched by Mr. Muldoon, EEC Agriculture Commissioner, on his trip to New Zealand recently. Mr. Muldoon said.

Figures had been mentioned, but it would not be "helpful" to publicise them, the Prime Minister said.

Mr. Muldoon said Mrs. Thatcher had taken "a strong and very pleasing" attitude on the Community's future relations with New Zealand.

She believed the British Government would have access to traditional food supplies from New Zealand, and he had instructed Mr. Peter Walker, Agriculture Minister, to take "a strong and positive line" in pursuit of this.

Mr. Muldoon is understood to have proposed linking New Zealand dairy exports to a set proportion of British sales, but Mr. Muldoon objects to this idea because of fluctuations in the market caused by competition from margarine and other influences.

He also offered the prospect of reduced import levies on lamb if it were included in the proposed pact.

Mr. Muldoon said that initially Mr. Muldoon hoped to conclude a deal between 1980 and 1985.

And the Prime Minister also believed there could be room for growth in the tonnage of butter shipped to Britain.

The current agreement between the EEC and New Zealand, which has allowed a decreasing quantities of butter—but which does not include sheep meat—expires next year.

Big grain losses
in Indonesia

JAKARTA—About 25 per cent of Indonesia's rice production last year was lost during post-harvest procedures, deputy chairman Salimun of the logistics board, said here.

Rapid rise in global
pulp use forecast

BY OUR COMMODITIES STAFF

RAPID EXPANSION in the use of wood for paper and pasteboard manufacture is expected in the next 20 years. UN Food and Agriculture Organisation specialists agreed at a recent meeting that by the turn of the century pulp and paper mills will absorb about half the world's wood production for industrial purposes, compared with about a quarter at present.

There is a clear danger, however, that much of the Western world could find itself short of vital raw materials to feed its increased processing capacity.

The FAO experts forecast short-term expansion in world paper-grass pulp capacity at the rate of 2.5 per cent a year until 1983. Capacity will increase from 145m tonnes last year to 164m tonnes.

In their annual survey of the industry, they forecast paper and paperboard capacity increasing at 2.7 per cent over the same five-year period from 188m tonnes in 1978 to 214m tonnes in 1983.

Expansion of facilities for making newsprint, which was

slow in the past five years, is expected to gather pace and force ahead of the annual rate of 3.9 per cent between 1978 and 1983, compared with 1.3 per cent a year in the previous five-year spell.

Capacity should rise by 5.5m tonnes from 26.5m to 32m tonnes in 1983.

The FAO figures are based on an annual review of reported plans for mill construction and starts made on new works reported by governments, industries and industry associations.

There is, however, a distinct danger that there may not be enough wood in the world to keep all the new mills and factories properly supplied.

The Organisation says that if properly managed, the world's forests should be able to provide enough wood and timber for paper-making and other industrial uses until the turn of the century. But after 2000 there are likely to be shortages of softwoods in Western Europe, the U.S. and Japan in particular.

There should still be a marked

surplus of hardwoods, however, in a continuation of the present situation where there is already more industrially useful hardwood than soft available to the world.

Prices of timber in Britain have increased in the past year but as much as 20 to 30 per cent, although a flood of lower quality grades has tended to depress foresters' earnings.

A Forestry Commission auction in Scotland last week prices for best quality saw logs were about 26 per cent higher than a year ago—an increase which surprised even the experts who had been forecasting a rise closer to 15 per cent.

The market is at present over-supplied with softwood roundwood coming from young plantations which are being thinned. Prices are almost at a standstill.

This wood is used in the pulp and chipboard industries which have been hit by the recession. Over-capacity in the European chipboard and particle board industry has also helped depress prices.

Cool reaction to coffee losses

BY RICHARD MOONEY

LONDON COFFEE traders yesterday shrugged off a Brazilian Coffee Institute (IBC) estimate that last month's frost would cut the country's coffee production by 1.5m bags (80 kilos each) in the current season and 5.5m in 1980-81.

They were also unimpressed by news that Brazil had raised its minimum coffee export price by 25 per cent and the export tax by 23 per cent.

In its first official estimate of the damage done by the frost, which struck in the last two days of May, the IBC forecast that the 1979 crop would be cut to 19.5m bags from an expected 21m, and the 1980-81 crop to 19m from 24.3m.

But on the London futures market yesterday September delivery coffee ended only \$1 higher on the day at \$18.945 a tonne.

The price had risen to \$19.15 a tonne in early dealings encouraged by an overnight frost warning in Brazil but subsequently subsided as frost fears faded.

London traders said the IBC damage estimates, announced on Sunday, were much as expected. Shortly after, the frost local sources had warned that up to 8.5m bags of coffee might have been destroyed from the 1980-81 crop. But this was later moderated to between 5m and 7m bags.

And London dealers thought the damage was likely to be lower than the lower end of this range.

The new minimum export price of \$1.81 per pound for July shipment plus the increased export tax of \$103 a bag merely brings the price up to level already ruling in the world market for Brazilian coffee, the London sources said.

A report by one trade house, G. W. Johnson, forecast that coffee prices would settle back to between \$1,500 and \$1,600 a tonne by mid-September or October unless further severe frosts occurred in Brazil.

"We feel that the loss of approximately 5m bags from the total world production could be considered as something of a blessing as it puts off the very difficult question of what to do with surplus production, quotas and support prices for at least another two years," the report said.

Johnson noted that coffee roaster's stocks are now substantial and that they were at the end of April.

"Now that the weather has turned in Brazil we feel that roasters will be returning with a vengeance to their old hand-to-mouth method of trading," it added.

Wool pact approved

SYDNEY—Mr. Ian Sinclair, Australian Primary Industries Minister has approved a new agreement for wool freight rates from Australia to the UK and Europe.

The Wool Commodity Group negotiated a new system of rates with the Australia-Europe shipping conference in London in late May.

The agreement, giving rate concessions for densely packed wool, is effective for the three seasons from the end of the current 1978/79 season on June 30.

Mr. John Westmore, group

director said comparisons with the current rates were difficult but it could be said a reduction of about 9 per cent had been achieved for 1979-80.

This estimate is subject to a rapid development towards the agreed objective of a density of about 14,000 kilos in conventional bales per 20-foot container in the first year.

Mr. Sinclair's total wool production is expected to rise to 710m kilos in the 1979-80 season, beginning July 1, from 685.4m in 1978-79, according to Australian Wool Corporation, economist Mr. Bob Richardson.

Reuter

BRITISH COMMODITY MARKETS

METALS

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COPPER INDEX: Close 502.507

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Forward metal prices in the morning reflected larger than forecast fall in tin

LONDON STOCK EXCHANGE

Trade balance worries subside and eve-of-budget markets trade quietly but in more stable fashion

Account Dealing Dates

*First Declara- Last Account Dealings Tions Dealings Day May 21 May 31 June 1 June 12 June 14 June 14 June 26 June 18 June 28 June 29 July 10

A reluctance to enter new commitments ahead of the budget brought subdued trading conditions to equity markets yesterday, a situation which contrasted with a more stable trend in Government stocks where revived investment demand was encouraged by hopes that the Chancellor will include in his budget measures to reduce public spending.

Concern about the UK balance of payments, a factor which caused marked nervousness in stock markets late on Friday, was allayed by financial Press views less harsh than anticipated on the 11th deficit for the first four months of the year. Leading shares were underpinned slightly easier but gradually regained the losses to close a shade harder on balance.

The FT 30-share index was 1.46 at 11 am, but reduced the loss to only 0.5 at 3 pm and after the official close actually improved further to end a net 0.7

up at 503.9. Trading announcements rarely enthused. Metal Box, in fact, providing a notable casualty with a fall of 16 to 312p following profits below analysts' estimates and a none-too-inspiring statement on prospects.

Foodstuffs were also easier after preliminary figures, but the background elsewhere in equities was enlivened by pockets of activity among situation stocks. The mood of most investors, however, generally reflected caution ahead of the Chancellor's measures and retail price indices had no noticeable influence on sentiment.

Dealing margins for gilt-edged securities were quoted wider initially but they narrowed as demand revived. Business was compressed into the first hour or so, but buying interest, part of which represented bear-closing, was sufficiently weighty to leave gains extending to 1 among the short-dated maturities and to 1 in the medium and long. Press comment drawing attention to the possible abolition, or relaxation, of exchange controls caused nervousness in the investment currency market, where rates were already adjusting lower to sterling. Trade was brisk and the premium fell to 511 per cent before rallying

slightly towards the close to end port and finished 8 higher at 212p.

Electricals trended easier in quiet trading. United Scientific turned dull at 302p, down 6, while Ferranti drifted off to close 8 cheaper at 430p and losses of 5 were recorded at Eurotherm, 340p, Pye Holdings, 107p, and Telephone Rentals, 189p.

Among the leaders, GEC eased to 375p before closing only 2 down on balance at 377p. Plessey firmed 2 to 114p stimulated by Press mention.

Interest in the Engineering sector was an extremely low ebb and leading issues rarely strayed far from last Friday's closing levels. Elsewhere, G. Whitehouse were noteworthy for a gain of 15 at 205p on revived speculation. Aversys were also firm at 274p, up 4, but the majority of other movements were against holders. Staveley met sporadic selling and gave up 8 to 332p, while Vesper, a firm market of late, reacted 4 to 234p.

Small nervous selling awaiting today's Budget prompted fresh dullness in the Brewery leaders. Allied, results due today, eased 11 to 81p. Bass gave up 4 to 212p and Whitbread "A" 3 to 124p. Elsewhere, renewed bid speculation left Highland 6 to the good at 107p.

Occasional selling and lack of investment enthusiasm gave Building descriptions a generally drab appearance. Recent high-flyer Brown and Jackson encountered further profit-taking and fell to 205p before late support lifted the price to 217p for a net fall of 13. Redland shed 3 to 201p and FPA Construction relinquished 3 to 15p. Despite the higher annual profits, Craig and Rose held at 111p.

Elsewhere, PFB and Tunnel "B" eased 4 pieces to 314p and 232p respectively, but Milbury, annual results next Friday, improved 2 to 72p.

A small business was transacted in LCI which cheapened 3 to 389p. Among other Chemicals, adverse Press comment left Leigh interests with a fall of 7 at 102p, but awaiting Thursday's annual results. Pysu put on 10 to 163p. Scrapy selling clipped 6 from Brest to 228p and 10 from Hickson and Welch to 222p.

Metal Box fell Miscellaneous Industrials were featured by a fall of 16 to 312p, after 308p, in Metal Box in reaction to disappointing preliminary profits and the accompanying statement.

Other leaders generally marked time, but small offerings ahead of Friday's annual figures left Pilkington 8 down at 356p. Glaxo, however, improved 5 to 475p. Elsewhere, Press comment prompted the gain of 8 and 6 in Caravans International, 73p, and Harris and Sheldon, 50p, while Trifels rose 6 more

to 157p on further consideration of the good results and proposed 3-for-2 scrip-issue. Reflecting the return to profitability, Charles Hill of Bristol firmed 5 to 88p. Avon Rubber, 160p, and Lawtex, 78p, rose 4 and 3 respectively.

Royal Worcester put on 6 to 203p. Awaiting further news of the bid approach from BTR, Bestobell succumbed to profit-taking and ended 7 down at 205p; BTR lost 5 more to 323p. Profit-taking also accounted for the fall of 6 to 212p in Caywood and 3 to 177p in Ricardo.

Thermal Syndicate also dipped 5, to 140p, as did Kelsey Industries, to 141p.

Press comment highlighting bid possibilities prompted a gain of a penny to 42p in Warner Holidays "A", but small selling in a thin market left Horizon Midlands 8 down at 181p.

Renewed speculative interest lifted Zenith Carburettor 7 to 87p, but E.R.F., annual results due next Tuesday, eased 4 to 113p. Among Garages, the poor annual profit left Caffyns 10 lower at 118p.

Awaiting annual results due today, Associated Newspapers eased 2 to 225p. Small selling left Liverpool Daily Post 4 off at 127p. Satchel and Satchel put on 7 to 222p; the interim results are due tomorrow. In Paper/Printings, late selling prompted a reaction of 8 to 113p in McCorquodale.

Following the major boardroom reshuffle, dealings resumed in Churchbury Estates which opened at 395p compared with the suspension price of 370p and progressed to 430p before settling at 425p. Property and Reversionary firmed 40 to 470p and the added 10 to 440p on the enfranchisement of 100 shares which accompanied the annual results. Elsewhere in Properties, profit-taking clipped 5 from Bernard Sunley, 390p, while occasional offerings left Regional A 3 cheaper at 115p and Property Securities Investment 4 off at 159p.

Mountainview Estates shed 5 to 134p, as did Bradford, to 424p.

Quietly dull for most of the day, Oils rallied a few pence in the late dealings. Down to 1218p at one stage, British Petroleum closed 4 off on balance at 1222p, but Shell, depressed by selling pressure from the U.S. late last Friday, finished at the day's lowest of 364p, down 12. Outside the leaders, Oil Exploration gave up 4 to 270p, but Barmah ended 3 firmer at 181p, after trading around 157p throughout most of the session.

Trusts closed a few pence lower throughout the list, but a few bright spots occurred in

Financials where Fashion and General responded to Press mention with a gain of 7 to 175p. Reflecting the companies' plantation interests, Yule Catto rose 10 to 112p and Majedie 4 to 90p.

Shippings tended easier, but Walter Runciman moved up 4 to 81p following week-end Press mention.

Still reflecting news that Birmingham and Midland Counties Trust had increased its holding in the company to near 30 per cent, David Dixon again featured. Textiles with a fresh rise of 9 to 173p. In contrast, profit-taking after the recent rise on bid speculation left Sirdar down 7 at 115p. Press mention prompted firmness in Towles, 95p, and Parkland, 91p, up 3 apiece. Among Carpets, Hemmray weakened 4 to 301p on the passing of the interim dividend and gloomy statement on trading, while Youghal gave up 11 to 30p on the increased annual loss.

After last week's activity and firmness which followed a London trade press forecast that the commodity price may rise by up to 50 per cent in the second half of the year, Rubbers quietened considerably yesterday and generally closed easier for choice. Anglo-Indonesian dipped 5 to 130p following the results, while Guthrie, which reported satisfactory figures last week, softened 3 to 617p. Elsewhere, Lonova declined 5 to 810p but Urogate, dealt in under special rule 183 (2), hardened 2 to 180p, after 183p, following Press comment.

Demand for Golds Renewed strength in the bullion price - finally \$250 better at a record \$282.125 an ounce - prompted widespread speculation that the gold price in London would rise to \$250. Prices were marked up at the outset reflecting a good U.S. demand late on Friday evening. Thereafter they improved throughout the day following strong buying from London, Johannesburg and the Continent. Towards the close and in the late after-hours trade modest American profit-taking left prices a fraction below the day's best.

Among the heavyweights rises of 4 were common to President Johnson and Western Holdings at £101 and £204 respectively. In the medium and lower-priced issues, the Gold Fields group pro-

vided a welcome support in front of today's dividend declarations. Doornfontein, 425p, and Venterspost, 305p, were both around 14 firmer, while Kloof added 5 at 821p and East Driefontein 4 at 580p.

South African Financials were similarly affected by the lower investment premium. De Beers closed 6 lower on balance at 444p, after 452p, while UC Investments

were a like amount cheaper at 345p. On the other hand Johannesburg interest left Middle Wit 20p better at 1979 high 800p.

The fall in investment currency rates affected Australasia. The Rundle oil shale partner was additionally weakened by profit-taking, which lowered Central Pacific by 30 to 700p and Southern Pacific by 20 to 255p.

FINANCIAL TIMES STOCK INDICES

	June 11	June 8	June 7	June 6	June 5	June 4	Year ago
Government Secs.	78.85	72.00	73.16	72.91	72.60	72.93	70.78
Fixed Interest	74.48	75.00	75.13	75.07	75.01	75.20	72.26
Industrial	503.9	503.2	514.0	516.0	509.8	510.9	472.2
Gold Mines	804.8	804.8	804.8	804.8	804.8	804.8	804.8
Gold Mines (Ex-5 pm)	159.5	154.7	155.7	156.8	157.4	158.5	156.3
Ord. Div. Yield	5.84	5.84	5.84	5.73	5.71	5.77	5.61
Earnings, Yld. 4 (full)	15.39	15.39	15.06	15.06	15.24	15.26	16.36
P/E Ratio (net)	8.32	8.32	8.49	8.51	8.40	8.39	8.18
Total bargains	17,722	18,888	16,756	16,911	15,864	16,077	-
Equity turnover %	99.05	90.97	80.67	71.88	68.38	68.70	-
Equity bargains total	14,368	14,331	13,421	11,708	15,288	16,466	-

10 am 502.1, 11 am 501.8, Noon 502.0, 1 pm 503.0, 2 pm 503.0, 3 pm 502.0. Latest index 01-246 8028. *Nil=0.

Basis: 100 Govt. Secs. 15/10/28. Fixed Int. 1928. Industrial Ind. 17/35. Gold Mines 12/3/25. Ex-5 pm index started June, 1972. SE Activity July-Dec. 1967.

HIGHS AND LOWS S.E. ACTIVITY

	1979	Since Comp. 1st	June 11	June 8
Govt. Secs.	75.91	64.54	127.4	49.18
Fixed Int.	77.78	68.03	150.4	50.32
Ind. Ord.	503.9	446.1	568.6	48.4
Gold Mines	805.4	128.8	442.3	43.5
Gold Mines (Ex-5 pm)	169.5	177.4	225.75	28.10
Ord. Div. Yield	5.84	5.84	5.73	5.71
Earnings, Yld. 4	15.39	15.39	15.06	15.24
P/E Ratio	8.32	8.32	8.49	8.51
Total bargains	17,722	18,888	16,756	16,911
Equity turnover %	99.05	90.97	80.67	71.88
Equity bargains total	14,368	14,331	13,421	11,708

duers all attracted good support in front of today's dividend declarations. Doornfontein, 425p, and Venterspost, 305p, were both around 14 firmer, while Kloof added 5 at 821p and East Driefontein 4 at 580p.

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LONDON TRADED OPTIONS

Option	Ex-5 pm Closing price	Vol.	Offer	Vol.	Offer	Vol.	Equity index
BP	1150	110	1	144	1	160	1218p
BP	1200	10	1	118	1	100	1218p
BP	1300	20	1	118	1	100	1218p
BP	1400	10	1	118	1	100	1218p
BP	1500	10	1	118	1	100	1218p
BP	1600	10	1	118	1	100	1218p
BP	1700	10	1	118	1	100	1218p
BP	1800	10	1	118	1	100	1218p
BP	1900	10	1	118	1	100	1218p
BP	2000	10	1	118	1	100	1218p
BP	2100	10	1	118	1	100	1218p
BP	2200	10	1	118	1	100	1218p
BP	2300	10	1	118	1	100	1218p
BP	2400	10	1	118	1	100	1218p
BP	2500	10	1	118	1	100	1218p
BP	2600	10	1	118	1	100	1218p
BP	2700	10	1	118	1	100	1218p
BP	2800	10	1	118	1	100	1218p
BP	2900	10	1	118	1	100	1218p
BP	3000	10	1	118	1	100	1218p
BP	3100	10	1	118	1	100	1218p
BP	3200	10	1	118	1	100	1218p
BP	3300	10	1	118	1	100	1218p
BP	3400	10	1	118	1	100	1218p
BP	3500	10	1	118	1	100	1218p
BP	3600	10	1	118	1	100	1218p
BP	3700	10	1	118	1	100	1218p
BP	3800	10	1	118	1	100	1218p
BP	3900	10	1	118	1	100	1218p
BP	4000	10	1	118	1	100	1218p
BP	4100	10	1	118	1	100	1218p
BP	4200	10	1	118	1	100	1218p
BP	4300	10	1	118	1	100	1218p
BP	4400	10	1	118	1	100	1218p
BP	4500	10	1	118	1	100	1218p
BP	4600	10	1	118	1	100	1218p
BP	4700	10	1	118	1	100	1218p
BP	4800	10	1	118	1	100	1218p
BP	4900	10	1	118	1	100	1218p
BP	5000	10	1	118	1	100	1218p
BP	5100	10	1	118	1	100	1218p
BP	5200	10	1	118	1	100	1218p
BP	5300	10	1	118	1	100	1218p
BP	5400	10	1	118	1	100	1218p
BP	5500	10	1	118	1	100	1218p
BP	5600	10	1	118	1	100	1218p
BP	5700	10	1	118	1	100	1218p
BP	5800	10	1	118	1	100	1218p
BP	5900	10	1	118	1	100	1218p
BP	6000	10	1	118	1	100	1218p
BP	6100	10	1	118	1	100	1218p
BP	6200	10	1	118	1	100	1218p
BP	6300	10	1	118	1	100	1218p
BP	6400	10	1	118	1	100	1218p
BP	6500	10	1	118	1	100	1218p
BP	6600	10	1	118	1	100	1218p
BP	6700	10	1	118	1	100	1218p
BP	6800	10	1	118	1	100	1218p
BP	6900	10	1	118	1	100	1218p
BP	7000	10	1	118	1	100	1218p
BP	7100	10	1	118	1	100	1218p
BP	7200	10	1	118	1	100	1218p
BP	7300	10	1	118	1	100	1218p
BP	7400	10	1	118	1	100	1218p
BP	7500	10	1	118	1	100	1218p
BP	7600	10	1	118	1	100	1218p
BP	7700	10	1	118	1	100	1218p
BP	7800	10	1	118	1	100	1218p
BP	7900	10	1	118	1	100	1218p
BP	8000	10	1	118	1	100	1218p
BP	8100	10	1	118	1	100	1218p
BP	8200	10	1	118	1	100	1218p
BP	8300	10	1	118	1	100	1218p
BP	8400	10	1	118	1	100	1218p
BP	8500	10	1	118	1	100	1218p
BP	8600	10	1	118	1	100	1218p
BP	8700	10	1	118	1	100	1218p
BP	8800	10	1	118	1	100	1218p
BP	8900	10	1	118	1	100	1218p
BP	9000	10	1	118	1	100	1218p
BP	9100	10	1	118	1	100	1218p
BP	9200	10	1	118	1	100	1218p
BP	9300	10	1	118	1	100	12

NOTES

Priests do not include \$ premium, expenses where indicated, and are in pence unless otherwise indicated.
 Visits (shown in last column) allow for all buying expenses. A different price includes all expenses.
 * Where prices are given, a visit based on offer price. 1. Estimated, 2. Today's estimate, 3. Distribution fee.
 4. UK tax, 5. Periodic payment, 6. Expenses, 7. Premium, 8. Different price includes all expenses.
 9. Expenses except agent's commission, 10. Different price includes all expenses if bought through manager.
 11. Previous day's price, 12. Net of tax on realized capital gains unless indicated by a, 13. Currency signs.
 14. Suspended, 15. Visit before Jersey tax, 16. Ex-authorization, 17. Only available to charitable bodies.

THE M&G YEAR BOOK 1979

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FT SHARE INFORMATION SERVICE

FOREIGN BONDS & RAILS

1979	High	Low	Stock	Price	Yield	Div.	Yield
23	22	22	Antofagasta Ry...	22	11.0	11.0	11.0
24	22	22	Do. Spec. Pref.	22	11.0	11.0	11.0
25	22	22	Chilean Ry. 1978	22	11.0	11.0	11.0
26	22	22	Do. Spec. 1978	22	11.0	11.0	11.0
27	22	22	Do. Spec. 1979	22	11.0	11.0	11.0
28	22	22	Do. Spec. 1980	22	11.0	11.0	11.0
29	22	22	Do. Spec. 1981	22	11.0	11.0	11.0
30	22	22	Do. Spec. 1982	22	11.0	11.0	11.0
31	22	22	Do. Spec. 1983	22	11.0	11.0	11.0
32	22	22	Do. Spec. 1984	22	11.0	11.0	11.0
33	22	22	Do. Spec. 1985	22	11.0	11.0	11.0
34	22	22	Do. Spec. 1986	22	11.0	11.0	11.0
35	22	22	Do. Spec. 1987	22	11.0	11.0	11.0
36	22	22	Do. Spec. 1988	22	11.0	11.0	11.0
37	22	22	Do. Spec. 1989	22	11.0	11.0	11.0
38	22	22	Do. Spec. 1990	22	11.0	11.0	11.0
39	22	22	Do. Spec. 1991	22	11.0	11.0	11.0
40	22	22	Do. Spec. 1992	22	11.0	11.0	11.0
41	22	22	Do. Spec. 1993	22	11.0	11.0	11.0
42	22	22	Do. Spec. 1994	22	11.0	11.0	11.0
43	22	22	Do. Spec. 1995	22	11.0	11.0	11.0
44	22	22	Do. Spec. 1996	22	11.0	11.0	11.0
45	22	22	Do. Spec. 1997	22	11.0	11.0	11.0
46	22	22	Do. Spec. 1998	22	11.0	11.0	11.0
47	22	22	Do. Spec. 1999	22	11.0	11.0	11.0
48	22	22	Do. Spec. 2000	22	11.0	11.0	11.0
49	22	22	Do. Spec. 2001	22	11.0	11.0	11.0
50	22	22	Do. Spec. 2002	22	11.0	11.0	11.0

BANKS & HP—Continued

1979	High	Low	Stock	Price	Yield	Div.	Yield
122	78	78	Hill Samuel	112	14.97	14.97	14.97
123	78	78	Do. Spec. Pref.	112	14.97	14.97	14.97
124	78	78	Do. Spec. 1978	112	14.97	14.97	14.97
125	78	78	Do. Spec. 1979	112	14.97	14.97	14.97
126	78	78	Do. Spec. 1980	112	14.97	14.97	14.97
127	78	78	Do. Spec. 1981	112	14.97	14.97	14.97
128	78	78	Do. Spec. 1982	112	14.97	14.97	14.97
129	78	78	Do. Spec. 1983	112	14.97	14.97	14.97
130	78	78	Do. Spec. 1984	112	14.97	14.97	14.97
131	78	78	Do. Spec. 1985	112	14.97	14.97	14.97
132	78	78	Do. Spec. 1986	112	14.97	14.97	14.97
133	78	78	Do. Spec. 1987	112	14.97	14.97	14.97
134	78	78	Do. Spec. 1988	112	14.97	14.97	14.97
135	78	78	Do. Spec. 1989	112	14.97	14.97	14.97
136	78	78	Do. Spec. 1990	112	14.97	14.97	14.97
137	78	78	Do. Spec. 1991	112	14.97	14.97	14.97
138	78	78	Do. Spec. 1992	112	14.97	14.97	14.97
139	78	78	Do. Spec. 1993	112	14.97	14.97	14.97
140	78	78	Do. Spec. 1994	112	14.97	14.97	14.97
141	78	78	Do. Spec. 1995	112	14.97	14.97	14.97
142	78	78	Do. Spec. 1996	112	14.97	14.97	14.97
143	78	78	Do. Spec. 1997	112	14.97	14.97	14.97
144	78	78	Do. Spec. 1998	112	14.97	14.97	14.97
145	78	78	Do. Spec. 1999	112	14.97	14.97	14.97
146	78	78	Do. Spec. 2000	112	14.97	14.97	14.97
147	78	78	Do. Spec. 2001	112	14.97	14.97	14.97
148	78	78	Do. Spec. 2002	112	14.97	14.97	14.97

CHEMICALS, PLASTICS—Cont.

1979	High	Low	Stock	Price	Yield	Div.	Yield
374	29	29	Crystalline Sp...	31	15.03	15.03	15.03
375	29	29	Do. Spec. Pref.	31	15.03	15.03	15.03
376	29	29	Do. Spec. 1978	31	15.03	15.03	15.03
377	29	29	Do. Spec. 1979	31	15.03	15.03	15.03
378	29	29	Do. Spec. 1980	31	15.03	15.03	15.03
379	29	29	Do. Spec. 1981	31	15.03	15.03	15.03
380	29	29	Do. Spec. 1982	31	15.03	15.03	15.03
381	29	29	Do. Spec. 1983	31	15.03	15.03	15.03
382	29	29	Do. Spec. 1984	31	15.03	15.03	15.03
383	29	29	Do. Spec. 1985	31	15.03	15.03	15.03
384	29	29	Do. Spec. 1986	31	15.03	15.03	15.03
385	29	29	Do. Spec. 1987	31	15.03	15.03	15.03
386	29	29	Do. Spec. 1988	31	15.03	15.03	15.03
387	29	29	Do. Spec. 1989	31	15.03	15.03	15.03
388	29	29	Do. Spec. 1990	31	15.03	15.03	15.03
389	29	29	Do. Spec. 1991	31	15.03	15.03	15.03
390	29	29	Do. Spec. 1992	31	15.03	15.03	15.03
391	29	29	Do. Spec. 1993	31	15.03	15.03	15.03
392	29	29	Do. Spec. 1994	31	15.03	15.03	15.03
393	29	29	Do. Spec. 1995	31	15.03	15.03	15.03
394	29	29	Do. Spec. 1996	31	15.03	15.03	15.03
395	29	29	Do. Spec. 1997	31	15.03	15.03	15.03
396	29	29	Do. Spec. 1998	31	15.03	15.03	15.03
397	29	29	Do. Spec. 1999	31	15.03	15.03	15.03
398	29	29	Do. Spec. 2000	31	15.03	15.03	15.03
399	29	29	Do. Spec. 2001	31	15.03	15.03	15.03
400	29	29	Do. Spec. 2002	31	15.03	15.03	15.03

ENGINEERING—Continued

1979	High	Low	Stock	Price	Yield	Div.	Yield
401	40	40	Allen W.G.	44	14.56	14.56	14.56
402	40	40	Do. Spec. Pref.	44	14.56	14.56	14.56
403	40	40	Do. Spec. 1978	44	14.56	14.56	14.56
404	40	40	Do. Spec. 1979	44	14.56	14.56	14.56
405	40	40	Do. Spec. 1980	44	14.56	14.56	14.56
406	40	40	Do. Spec. 1981	44	14.56	14.56	14.56
407	40	40	Do. Spec. 1982	44	14.56	14.56	14.56
408	40	40	Do. Spec. 1983	44	14.56	14.56	14.56
409	40	40	Do. Spec. 1984	44	14.56	14.56	14.56
410	40	40	Do. Spec. 1985	44	14.56	14.56	14.56
411	40	40	Do. Spec. 1986	44	14.56	14.56	14.56
412	40	40	Do. Spec. 1987	44	14.56	14.56	14.56
413	40	40	Do. Spec. 1988	44	14.56	14.56	14.56
414	40	40	Do. Spec. 1989	44	14.56	14.56	14.56
415	40	40	Do. Spec. 1990	44	14.56	14.56	14.56
416	40	40	Do. Spec. 1991	44	14.56	14.56	14.56
417	40	40	Do. Spec. 1992	44	14.56	14.56	14.56
418	40	40	Do. Spec. 1993	44	14.56	14.56	14.56
419	40	40	Do. Spec. 1994	44	14.56	14.56	14.56
420	40	40	Do. Spec. 1995	44	14.56	14.56	14.56
421	40	40	Do. Spec. 1996	44	14.56	14.56	14.56
422	40	40	Do. Spec. 1997	44	14.56	14.56	14.56
423	40	40	Do. Spec. 1998	44	14.56	14.56	14.56
424	40	40	Do. Spec. 1999	44	14.56	14.56	14.56
425	40	40	Do. Spec. 2000	44	14.56	14.56	14.56
426	40	40	Do. Spec. 2001	44	14.56	14.56	14.56
427	40	40	Do. Spec. 2002	44	14.56	14.56	14.56

FOOD, GROCERIES—Cont.

1979	High	Low	Stock	Price	Yield	Div.	Yield
107	80	80	Chifford Dairies	88	12.13	12.13	12.13
108	80	80	Do. Spec. Pref.	88	12.13	12.13	12.13
109	80	80	Do. Spec. 1978	88	12.13	12.13	12.13
110	80	80	Do. Spec. 1979	88	12.13	12.13	12.13
111	80	80	Do. Spec. 1980	88	12.13	12.13	12.13
112	80	80	Do. Spec. 1981	88	12.13	12.13	12.13
113	80	80	Do. Spec. 1982	88	12.13	12.13	12.13
114	80	80	Do. Spec. 1983	88	12.13	12.13	12.13
115	80	80	Do. Spec. 1984	88	12.13	12.13	12.13
116	80	80	Do. Spec. 1985	88	12.13	12.13	12.13
117	80	80	Do. Spec. 1986	88	12.13	12.13	12.13
118	80	80	Do. Spec. 1987	88	12.13	12.13	12.13
119	80	80	Do. Spec. 1988	88	12.13	12.13	12.13
120	80	80	Do. Spec. 1989	88	12.13	12.13	12.13
121	80	80	Do. Spec. 1990	88	12.13	12.13	12.13
122	80	80	Do. Spec. 1991	88	12.13	12.13	12.13
123	80	80	Do. Spec. 1992	88	12.13	12.13	12.13
124	80	80	Do. Spec. 1993	88	12.13	12.13	12.13
125	80	80	Do. Spec. 1994	88	12.13	12.13	12.13
126	80	80	Do. Spec. 1995	88	12.13	12.13	12.13
127	80	80	Do. Spec. 1996	88	12.13	12.13	12.13
128	80	80	Do. Spec. 1997	88	12.13	12.13	12.13
129	80	80	Do. Spec. 1998	88	12.13	12.13	12.13
130	80	80	Do. Spec. 1999	88	12.13	12.13	12.13
131	80	80	Do. Spec. 2000	88	12.13	12.13	12.13
132	80	80	Do. Spec. 2001	88	12.13	12.13	12.13
133	80	80	Do. Spec. 2002	88	12.13	12.13	12.13

HOTELS AND CATERERS

134	120	120	Barcl (P.F.) 100	120	12.13	12.13	12.13
135	120	120	Brent Walker Sp.	120	12.13	12.13	12.13
136	120	120	Camport Inc. 10p	120	12.13	12.13	12.13
137	120	120	De Vera Stock	120	12.13	12.13	12.13
138	120	120	Empire Inc.	120	12.13	12.13	12.13
139	120	120	Grand Med. Inc.	120	12.13	12.13	12.13
140	120	120	Kursan (NFL) 25	120	12.13	12.13	12.13
141	120	120	Labrador 10p	120	12.13	12.13	12.13
142	120	120	Mar. 25 Stock	120	12.13	12.13	12.13
143	120	120	Norfolk Can. Sp.	120	12.13	12.13	12.13
144	120	120	North (M.F.) 10p	120	12.13	12.13	12.13
145	120	120	Prince of Wales	120	12.13	12.13	12.13
146	120	120	Reed's Inc. 10p	120	12.13	12.13	12.13
147	120	120	Reed's Hotel	120	12.13	12.13	12.13
148	120	120	Savoy "A" 10p	120	12.13	12.13	12.13
149	120	120	Starks (Rea) 10p	120	12.13	12.13	12.13
150	120	120	Swan River 10p	120	12.13	12.13	12.13
151	120	120	Tanaka 10p	120	12.13	12.13	12.13
152	120	120	Thayer Inc. "A" 10p	120	12.13	12.13	12.13
153	120	120	Whelan's 10p	120	12.13	12.13	12.13

FINANCE, LAND—Continued

1579	Low	Stock	Price	+/-	High	Chg	Vol	%
47	123	Lon. Electric	90	-2	110.00	4.1	1.4	1.4
48	123	M. & H. Wicks	90	215.00	123.56	5.1	2.1	2.1
49	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
50	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
51	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
52	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
53	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
54	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
55	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
56	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
57	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
58	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
59	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
60	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
61	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
62	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
63	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
64	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
65	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
66	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
67	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
68	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
69	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
70	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
71	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
72	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
73	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
74	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
75	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
76	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
77	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
78	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
79	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
80	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
81	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
82	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
83	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
84	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
85	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
86	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
87	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
88	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
89	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
90	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
91	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
92	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
93	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	2.1
94	123	W. H. Wicks	90	215.00	123.56	5.1	2.1	

Brown (J.)	50	Lorain	5	REPC	13
Burton 'A'	25	Kash Inc.	5	Peachy	13
Chapman	10	Wm. J. Adams	10	Samuel Prop.	17
Courtland	7	Wm. & Son	11	Town & City	24
Debenham	8	Midland Bank	20		
Distillers	13	N.E.I.	1	Oils	
Dunlop	63	W. & W. Bank	1	Brit. Petroleum	100
Edwards	17	Co. Warrants	1	Burrill Oil	19
E.M.I.	12	P & O Dtd.	12	Chemical	22
Gen. Accident	22	Plessey	10	Shell	25
Gen. Electric	35	R.H.A.	1	Shell	25
Glass	30	Reims Ott.	1	Ultramar	25
Grand Mill	1	Reed Int'l.	18		
G.U.S. 'A'	30	Spillers	40	Mines	
Guardian	24	Tesco	7		

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SWING TO THE RIGHT THROUGHOUT EUROPE

Christian Democrats Tories win 60 seats
make big gains

BY REGINALD DALE, EUROPEAN EDITOR, IN BRUSSELS

CENTRE-RIGHT parties consolidated their broad advance in the European elections as the bulk of the results from all nine participating nations were counted yesterday.

The sweeping gains made by the British Conservatives were matched by Christian Democrat successes in West Germany, the Netherlands, Belgium and Luxembourg, while the French result was a victory for the pro-European Socialists moved up from 4.5 to 11 per cent of the vote in an 86 per cent poll.

Elsewhere politicians were disappointed at the relatively low turnout, particularly in West Germany where 65.5 per cent of the electorate voted—well below the 80 per cent or more usual in German elections. In France, the 39 per cent abstention rate was a near-record.

In spite of the Christian Democrats' successes, the Socialists looked virtually certain to maintain their position as the largest Parliamentary group in Strasbourg. But they will no longer have the

dominant role they enjoyed in the old, nominated Parliament, where they held one third of the seats.

A computer projection by the European Broadcasting Union suggested that the Socialists would have 111 seats in the new 410-seat Parliament, against 106 for the Christian Democrats. The Anglo-Danish Conservative group, which sits separately from the Christian Democrats, was put at 63, the Communists at 44, Liberals 40, Progressive Democrats (French Gaullists and Irish Fianna Fail) 23, and others 23.

In Denmark, anti-Marketees were jubilant after five opponents of EEC membership gained places in the country's 15-strong metropolitan delegation, and another won the single seat in Greenland. Although the Government stressed that there would be no change in its European policies, the anti-Marketees were predicting Danish withdrawal in a few years' time.

In Belgium, the Christian Democrats led by Mr. Leo Tindemans, the former Prime Minister, swept Flanders, while in Ireland the Fianna Fail Government of Mr. Jack Lynch suffered a setback at the hands of independent candidates.

THE CONSERVATIVES completed a summer election double yesterday by winning 60 of Britain's 78 European constituencies and becoming the largest single national group in the Strasbourg Parliament.

Labour will send 17 MPs to Europe—a result that deeply depressed the party's pro-Marketees but one that they feared might have been even worse because of the abysmally low turnout.

The remaining seat outside Northern Ireland went to the Scottish Nationalists after a surprise victory by Mrs. Winnie Ewing, the former Westminster MP, in the Highlands and Islands. She defeated Mr. Russell Johnson, the Liberal MP, by nearly 4,000 votes, leaving the Tory, who started favourites trailing in third place.

The result in the only seat where there was any prospect of a victor other than Labour or Conservative meant that the Liberals, although polling over 13 per cent of the votes nationally, failed to secure any representation.

Mr. David Steel, Liberal leader, and his followers complained bitterly about the unfairness of Britain's first-past-the-post system, and they intend to mount a protest when the directly-elected Parliament meets for the first time in Strasbourg next month.

STATE OF THE PARTIES			
	Seats	Total votes	% of poll
Conservatives	60	4,508,481	50.4
Labour	17	4,253,210	33
Liberals	0	1,490,600	12.1
Scott. Nats.	1	247,836	1.9
Plaid Cymru	0	83,399	0.6
Others	0	90,318	0.7

Figures do not include Northern Ireland

There are already signs of growing support among leading Labour MPs for the introduction of proportional representation into the European elections in the future.

The Conservatives secured 50 per cent of the votes cast, against Labour's 33 per cent and achieved a net voting swing in their favour of 5 per cent since the May general election. Tory leaders were well satisfied with the results, in spite of the low turnout of 32 per cent.

The Labour Party, on the other hand, has now suffered two severe electoral defeats within five weeks, and a painful party inquest is inevitable.

Pro-Marketees were saddened by the party's performance and internal divisions, and

blamed the attempts by the National Executive Committee and anti-Market MPs to turn the party against the Community.

But anti-Marketees were convinced that the results had proved their point that the Common Market was deeply unpopular.

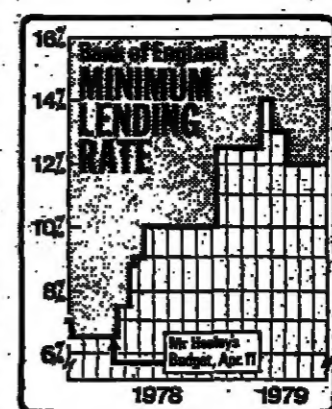
The Rev. Ian Paisley, hard-line leader of the Democratic Unionist Party, comfortably won the first of Northern Ireland's three seats in the European Parliament. In the first count under the proportional representation voting procedure, he received 170,688 votes, well above the 143,000 quota needed for election.

Way ahead to Strasbourg. Page 18
Election details Page 2

THE LEX COLUMN

Second-half dent
in Metal Box

Index rose 0.7 to 503.9



ahead at £78.9m pre-tax.

The immediate prospects are much brighter. A price rise and a partial recovery in market share has pushed the bread side well into the black during the opening months of 1979-80. Margins are being squeezed a bit on the milling companies, but the overall return on baking and milling should be usefully higher unless there is another strike. In the retailing division, Fine Fare says that it has learnt to live with the discounts—45 per cent of its sales now go through large stores or discount outlets—and margins ought to be steadier, from now on. Overseas, the group is now doing very well in South Africa, which accounts for nearly a third of total profits before interest.

With any luck, all this should add up to above average profits growth this year, though this is not reflected in the dividend yield—right in line with the average at 6.2 per cent—presumably because of bread and South Africa. But the group is still spending heavily on fixed assets—three times the depreciation charge last year—and that, together with its sound balance sheet, makes it one of the strongest groups in the foods sector.

A.B. Foods

Troubles in the bread baking business have meant that hopes for growth at Associated British Foods have had to be postponed for about a year. The bread strike last autumn and its immediate aftermath knocked £5m or more out of group profits, and rationalisation has cost another £1m or so. Although losses on bread for 1978-79 as a whole are about half the previous year's figure (at maybe £1m or £2m), group profits are only marginally

EMS boomerang

The divergence indicator, one of the two sets of currency constraints which hold the European Monetary System together, was devised to prevent the D-Mark from becoming too strong and making life miserable for other member currencies. Ironically, it is now allowing just that to happen.

While the Bundesbank boosts the D-Mark's value by selling dollars, it is the unfortunate

Belgian franc which continues to show excessive downward divergence against the European Currency Unit and which thus bears the onus for corrective action. The D-Mark's value against the ECU remains virtuously within its prescribed limit.

The reason is that the Lu and Sterling are much stronger than would be allowed if the obeyed the normal EMS rule. They have lifted the value of ECU, of which they are constituents, and have thus disguised the true rise of the D-Mark.

Were it not for these two errant currencies, the divergence indicator would now be pointing to a D-Mark revaluation (to say nothing of Sterling, rather than to a Belgian franc devaluation). The Bundesbank can afford to smile—it was strongly opposed to the idea of the indicator from the start.

Institutional cash

After last week's disturbing trade and banking statistics the final bunch of pre-Budget economic figures held no horrors for the gilt edge market. The rise in wholesale prices was much in line with expectations, and the slight drop in retail sales volume in May was widely reassuring. Prices of long dated stock rose by around 2½.

It looked for a short time like last week that the institutions might start nibbling at the long end, Treasury 1½ per cent 2001-2004. It is not very far out of line with the market and the final £420m call on 11 per cent Exchequer 1981 a week ago has not prevented institutional liquidity from building up.

However, the institutions decided, sensibly enough, to wait and see what today's Budget holds. The Government's funding programme is already starting to slip behind schedule and it is coming under pressure to tie up some more funding in the June banking month which ends next week. Today's Budget could break the impasse.

Institutional liquidity has not been rising all that quickly in the absence of official gilt sales because of the steady flow of rights issues. So far this year more money has been raised than in the whole of last year and the unofficial queue still seems fairly full for the next couple of months. Some companies may be trying to raise money before they are crowded out by the anticipated official asset disposals while others may be taking precautions before corporate liquidity is squeezed further.

Brussels
Commission
unveils
energy plan

By Giles Morris in Brussels

A FAR-REACHING strategy for energy saving and development in the EEC up to 1990 is to be placed before the European Commission this week. It will then be submitted to the Council of Ministers.

The plan proposes targets for limiting the fuel consumption of cars, and casts doubt on the Community's ability to meet its growing energy requirements by 1990 if average GNP growth until then is maintained at the target level of 3.9 per cent a year.

The objectives being outlined by the Brussels Commission also stress that the ratio of the growth of energy consumption to economic growth must be reduced for the level agreed last year by member governments.

The targets set last July by the European Council of limiting the ratio to 0.8 by 1985 is replaced in the proposals by a new goal of below 0.7 by 1990.

The Commission is understood to be urging a freeze on EEC oil imports as part of an overall programme of boosting nuclear and coal-fuelled electricity. This would mean that by 1985, oil imports would stand at about the 1978 level of 470m tonnes. A vital element in the Commission's strategy concerns the boosting of nuclear and coal burning power stations to provide up to 75 per cent of all electricity in the EEC, in order to bridge the gap between the Community's present gross energy requirement of 970m tonnes of oil equivalent and the projected 1990 level of 1,395m tonnes.

The unveiling of the new strategy is understood to represent a Commission push for an EEC energy policy before the June 21 and 22 Strasbourg summit at which EEC heads of government are widely expected to concentrate on energy questions.

At the same time, Dr. Guido Brunner, the EEC Energy Commissioner, is expected to present a new scheme for monitoring all oil price movements in the Community when EEC Energy Ministers meet in Luxembourg early next week. The scheme would be an extension of that recently introduced to study, and if possible check, prices on the Rotterdam and Genoa spot markets.

The nuclear programme put forward in the proposals would involve massive investment.

Leak stops Alaska oil

BY DAVID LASCELLES IN NEW YORK

THE TRANS-ALASKA pipeline, which carries North Slope crude oil to the Valdez loading terminal, has been shut down because of a suspected leak. This is the first time the \$10bn pipeline has had to be shut down during routine operations since it was started up in 1977. If the shutdown is protracted, it will deprive the U.S. of about 15 per cent of its domestically produced oil at a time when supplies are unusually tight.

The weather at the site of the leak, where the pipeline lies between six and 10 feet underground, was said to be bad, with wind, sleet and freezing temperatures. The ground is frozen solid.

The Alyeska Pipeline Service

Company, owner and operator, said that on Sunday morning a helicopter on reconnaissance noticed what appeared to be oil coming from the ground 150 miles south of Prudhoe Bay, the production terminal, where the pipeline crosses the Brooks range. At nearly 5,000 ft, this is one of the highest points on the pipeline.

Crews were dispatched to dig a containment channel and prevent oil from trickling into a river nearby. So far about 200 barrels of an estimated 500-barrel leak have been recovered. Other crews are digging a trench along the pipeline to discover the leak.

The company could not estimate how long the pipeline

would be out of action. That would depend on how long it took engineers to find and repair the leak. In New York, though, it was thought unlikely that the repair would be speedy, given the conditions in which the crews are working.

The 300-mile trans-Alaska pipeline transports about 1.2m barrels of oil a day from the North Slope oilfields to Valdez, where it is loaded for shipment south. Apart from two disruptions during start-up and an attack by a saboteur last year, it has operated without interruption since it went into service in July, 1977.

Alaskan oil has helped to check the rapidly growing



dependence of the U.S. on imports. If the interruption is sustained it could force the U.S. to buy on world markets at a time when spot prices are high and supplies uncertain.

Parliament, Page 7
Editorial Comment, Page 18

Howell discounts early oil rationing

BY KEVIN DONE, ENERGY CORRESPONDENT

MR. DAVID HOWELL, the Energy Secretary, gave a warning yesterday that if there is a further sharp deterioration in world oil supplies, the Government could be forced to impose direct rationing of oil products.

But in a statement to Parliament he again ruled out any early moves by the Government to allocate oil supplies. He dismissed a call from Dr. Dickson Mabon, Opposition energy spokesman, for Government help in supplying priority users. Dr. Mabon pointed to reports that hospitals, ambulance ser-

vices and other essential services were either short in supply or being held to ransom by being charged very high prices.

It was also a "complete nonsense," he said, that supplies to railways would be cut, because this would only lead to greater congestion on the roads and a rising demand for petrol.

Mr. Howell said that with the present limited shortfall in supplies, any system of priority allocation would be "wasteful, unfair and highly inefficient." Actual supplies to UK con-

sumers were running at about 5 per cent below current demand. Some oil companies had been forced to impose more severe rationing schemes than the UK's major suppliers, however. The Government had asked the oil industry to "achieve a more even and effective distribution."

Mr. Howell said he was not satisfied with the present arrangements for exporting about 45 per cent of UK North Sea oil production. But he offered no immediate proposals for changing the balance.

He did confirm that the Government is giving serious thought to taking its 12½ per cent North Sea oil royalty entitlement as crude oil rather than as cash from the beginning of next year.

Mr. John Swearingen, chairman of Amoco, the U.S. oil company, said yesterday that the industrialised world's dependence on imported oil would grow over the next five years. Supplies would never be as abundant again as at the beginning of the 1970s. They would cost a great deal more.

Dubai gets \$670m backing

BY JOHN EVANS

A \$670m international financing package is being put together for the development of the gas and aluminium industries of Dubai, the Arabian Gulf state. It is believed in Dubai to be the largest financing of its type raised for industrial development in the Gulf region.

An official announcement in London yesterday said the Citicorp International Bank, Lloyds Bank International and National Westminster Bank have been authorised to arrange the financing on behalf of the state's main industrial projects—Dubai Aluminium Company (Dubai) and Dubai Gas Com-

pany (Dugas). A \$200m Eurocurrency loan will be mortgaged for Dubai and a companion \$100m credit for Dugas. Both loans will have an eight-year maturity. In addition, a facility of \$370m from the British Export Credits Guarantee Department will be assembled in favour of Dubai.

Weather

London, S.E. and Cent. S. England, E. Anglia, Midlands, S. Wales

Sunny periods at first, becoming cloudy. Perhaps rain later. E. and N. England, N. Wales, Isle of Man, S. and Cent. and E. Scotland, Cent. Highlands. Mainly dry, sunny periods. S.W. England, Channel Is. Cloudy, rain in places. N.E. Scotland

Mainly dry, sunny periods. N.W. Scotland, N. Ireland. Some rain. Sunny intervals at first, becoming cloudy. Outlook: Mostly dry.

WORLDWIDE					
	Today	tomorrow	Friday		
Algeria	C	27 81	Locarno	S	25 77
Algiers	C	28 79	London	S	28 84
Ankara	C	27 79	Luxemb.	S	28 84
Bahrein	C	36 37	Luzon	S	25 108
Bangkok	C	24 78	Madrid	S	27 81
Batavia	C	29 34	Manila	S	26 77
Bombay	C	17 83	Melbourne	S	26 78
Buenos Aires	C	22 84	Mexico	S	30 86
Calcutta	C	22 84	Moscow	S	27 81
Canton	C	21 70	Mumbai	S	17 83
Cebu	C	16 81	Nairobi	S	13 55
Colon	C	22 72	Norfolk	S	13 55
Dacca	C	22 72	Osaka	S	15 58
Dahomey	C	12 54	Paris	S	19 86
Dar es Salaam	C	17 69	Rangoon	S	19 86
Delhi	C	16 81	Reykjavik	S	12 54
Dhaka	C	16 81	Rome	S	12 54
Dubai	C	16 81	Sao Paulo	S	12 54
Durban	C	16 81	Seoul	S	12 54
Edinburgh	C	16 81	Singapore	S	12 54
Geneva	C	16 81	Sri Lanka	S	12 54
Hankow	C	16 81	Taipei	S	12 54
Hong Kong	C	16 81	Tokyo	S	12 54
Indragiri	C	16 81	Yokohama	S	12 54
Jakarta	C	16 81			
Johannesburg	C	16 81			
Kuala Lumpur	C	16 81			
London	C	16 81			
Lyons	C	16 81			
Manila	C	16 81			
Medan	C	16 81			
Mexico	C	16 81			
Moscow	C	16 81			
Mumbai	C	16 81			
Nairobi	C	16 81			
Norfolk	C	16 81			
Osaka	C	16 81			
Paris	C	16 81			
Rangoon	C	16 81			
Reykjavik	C	16 81			
Rome	C	16 81			
Sao Paulo	C	16 81			
Seoul	C	16 81			
Singapore	C	16 81			
Sri Lanka	C	16 81			
Taipei	C	16 81			
Tokyo	C	16 81			
Yokohama	C	16 81			

— C—Cloudy, F—Fair, R—Rain, S—Sunny.

Pressure for 30% BOC pay claim

BY NICK GARNETT, LABOUR STAFF

MANUAL WORKERS at BOC's gases division who, with Ford workers were the first major group to break last year's pay guideline, are being urged to agree to a claim worth more than 30 per cent.

There is considerable pressure from groups of shop stewards to make the claim, due for settlement at the beginning of the new wage round, virtually non-negotiable. Stewards from the company's 42 gases division depots which suffered a highly damaging strike over

pay by the same group two years ago, met at the weekend to begin formulating the claim.

The fear of a pay freeze and to a lesser extent the top salary and doctors' awards were the principal factors in drawing up the recommendation. It has been kept very simple and involves a £25 across the board increase on basic pay, currently £74 to £78 with full consolidation.

The 3,000 drivers and gas cylinder handlers, whose settlement runs from the end of September are also con-

scious of the way settlements tended to increase in size during the first half of the last pay round.

They settled for 9.3 per cent last year, following unofficial industrial action in some depots. Senior stewards indicated yesterday that anything under 20 per cent or perhaps more is likely to prove unacceptable to the group which has considerable power to disrupt manufacturing industry by industrial action.

Stewards are also seeking

to settle the claim as early as possible partly because of anxiety over a Government clampdown on pay. Branches will meet this week to discuss the recommendation. Their views will then be discussed at a national meeting of senior stewards which will settle the claim.

The company has been holding a series of joint talks with the group on shorter working hours. Senior stewards said yesterday that these had been making little progress.